

BWC Board of Directors

Audit Committee Agenda

William Green Building

September 25, 2008

Level 2, Room 1

4:00 p.m. – 6:00 p.m.

Call to Order

Ken Haffey, Chairman

Roll Call

Jill Whitworth, Scribe

Approve Minutes of July 24, 2008 meeting

Ken Haffey

Follow-up items From August Meeting

FY 08 4th Quarter Executive Summary

Joe Bell, OBM Chief Audit Executive

Caren Murdock, Chief of Internal Audit

New Business/Action Items

Rules for first reading

- Inpatient hospital payment 4123-6-37.1

Rules for consideration and possible vote:

Fire Fighting rules 4123:1-21

Professional Provider Fee schedule 4123-6-08

Discussion Items*

1. External audit update
Joseph J. Patrick Jr., CPA – Schneider Downs
2. Litigation Update (if needed, Executive session possible)
3. Open Discussion with Internal Auditor

Adjourn

Ken Haffey

*Not all discussion items have materials included.

Next Meeting: TUESDAY, October 28, 2008, 4:00 pm – 6:00 pm

The Ohio Administrative Code 4123:1-21 *Fire Fighting*

The Fire Fighting Code was reviewed and revised by the "Tan Book Committee" consisting of members from the Fire Alliance. The Alliance consists of the following organizations: Ohio Association of Professional Fire Fighters (OAPFF) representing full-time unionized firefighters; Ohio Fire Chiefs Association (OFCA) representing fire chiefs; and Ohio State Fire Fighters Association (OSFA) representing volunteer firefighters.

Committee members included:

OAPFF (www.oapff.com)

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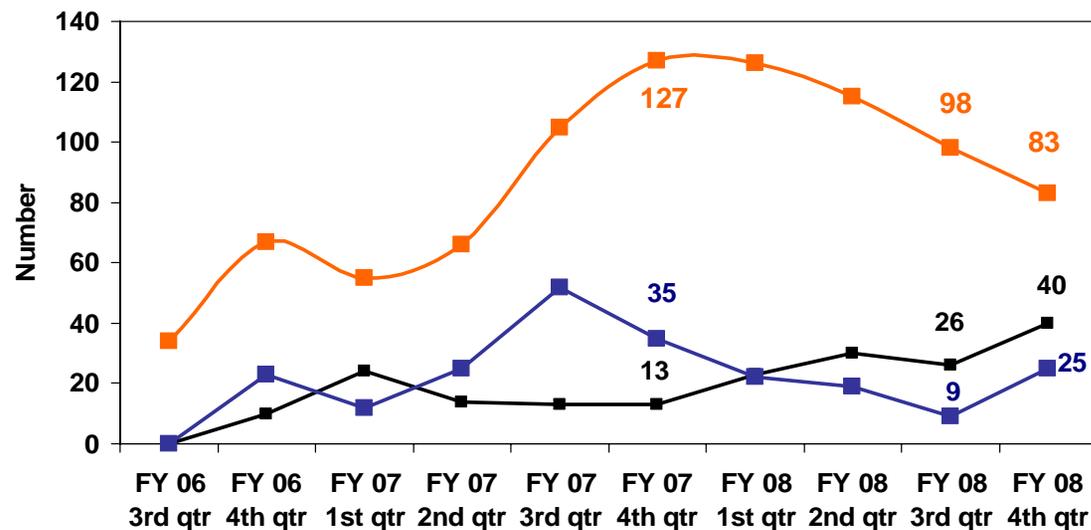
Additionally, Mike Bowden from Ohio Dept of Natural Resources - Forestry (614.265.1088) was consulted on the wildland fire fighting chapter.



BWC Internal Audit Division

Comments outstanding decreased 35% in the last year

	FY 2008 4th Qtr
# Comments Outstanding	83
# Comments Implemented	40
# Comments Issued	25





BWC Internal Audit Division

Monthly average for outstanding comments

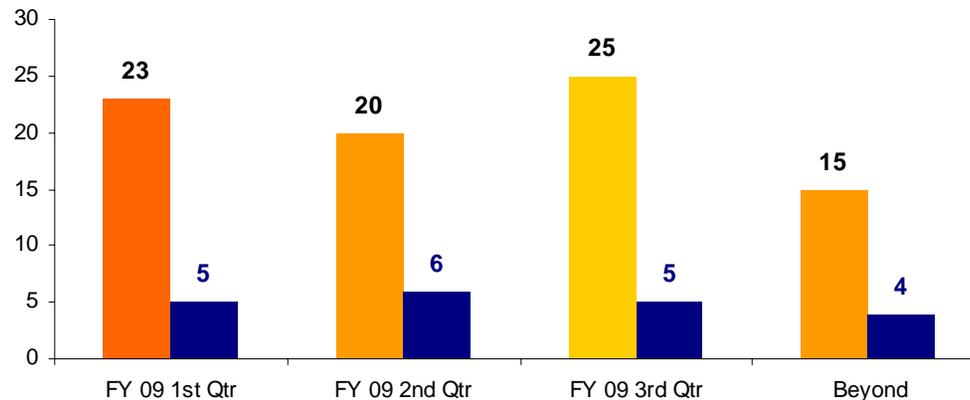
(Excluding IT external audit comments)

FY 08 1st Quarter	FY 08 2nd Quarter	FY 08 3rd Quarter	FY 08 4th Quarter
Audit Comments 10.3	Audit Comments 9.1	Audit Comments 11.2	Audit Comments 14.9



BWC Internal Audit Division

Validation period planned for remaining comments



Due to be implemented within the next six months:

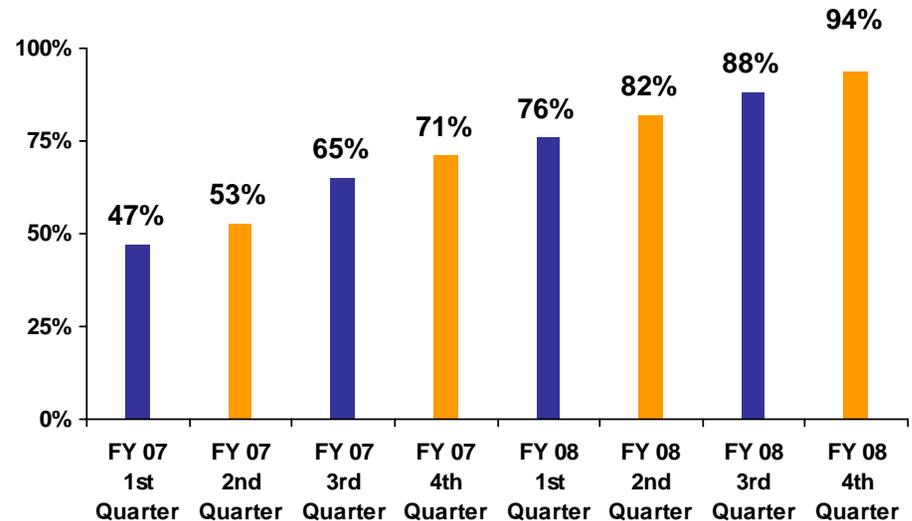
- 52% of all outstanding comments
- 55% of material comments



BWC Internal Audit Division

Between 2003 & 2005, 34 comments were issued to management without materiality assessments.

The remaining two comments outstanding from 2003 - 2005 are expected to be implemented within the next six months



Common Sense Business Regulation (BWC Rules)

(Note: The below criteria apply to existing and newly developed rules)

Rules Chapter 4123:1-21

Rule Review

1. The rule is needed to implement an underlying statute.

Citation: Ohio Constitution Art. II, Sec. 35; 4121.12; 4121.13.

2. The rule achieves an Ohio specific public policy goal.

What goal(s): The five year rule review of these rules ensures that the fire fighter safety rules of the bureau are current.

3. Existing federal regulation alone does not adequately regulate the subject matter.

4. The rule is effective, consistent and efficient.

5. The rule is not duplicative of rules already in existence.

6. The rule is consistent with other state regulations, flexible, and reasonably balances the regulatory objectives and burden.

7. The rule has been reviewed for unintended negative consequences.

8. Stakeholders, and those affected by the rule were provided opportunity for input as appropriate.

Explain: Internal BWC review of rules; Fire Alliance: Ohio Association of Professional Fire Fighters (OAPFF) representing full-time unionized firefighters; Ohio Fire Chiefs Association (OFCA) representing fire chiefs; and Ohio State Fire Fighters Association (OSFA) representing volunteer firefighters.

9. The rule was reviewed for clarity and for easy comprehension.

10. The rule promotes transparency and predictability of regulatory activity.

11. The rule is based on the best scientific and technical information, and is designed so it can be applied consistently.

12. The rule is not unnecessarily burdensome or costly to those affected by rule.

If so, how does the need for the rule outweigh burden and cost? _____

13. The Chief Legal Officer, or his designee, has reviewed the rule for clarity and compliance with the Governor's Executive Order.

BWC 2009 Proposed Inpatient Hospital Fees

Medical Service Enhancements

Prompt, effective medical care makes a big difference for those injured on the job. It is often the key to a quicker recovery and timely return-to-work and quality of life for injured workers. Thus, maintaining a network of dependable medical and vocational rehabilitation service providers ensures injured workers get the prompt care they need. Maintaining a network of hospitals to provide appropriate care is an important element to ensure the best possible recoveries from workplace injuries. It also ensures access to quality, cost-effective service. Access for injured workers, and employers, means the availability of quality, cost-effective treatment provided on the basis of medical necessity. It facilitates faster recovery and a prompt, safe return to work.

The Medical Services Division has focused on improving its core medical services functions. Our goals are as follows: enhance our medical provider network, establish a better benefits plan, institute an updated and competitive provider fee schedule, improve our managed care processes, and establish excellent medical bill payment services.

Inpatient Hospital Fee Schedule

Introduction and Methodology

As stated, implementing a sound and effective provider fee schedule is a critical component of the Medical Services Division's goals. Inpatient bills represent a small number of the bills BWC processes annually, however, they are a critical segment as they represent the treatment given to our most seriously injured workers. Inpatient hospitalization may be the first treatment following an injury; it may also be part of later treatment intended to return the injured worker to employment.

In financial terms, these bills represent 14.2 percent of BWC's overall medical expenses, even though they are 0.20 percent of bills received by BWC. An appropriate inpatient fee schedule is integral to assuring that injured workers are receiving quality care so that they may achieve the best possible recovery from their injuries. For the period reviewed (January 2008-June 2008), BWC paid the following medical expenses: Inpatient Hospital - \$63 million, Outpatient Hospital - \$ 102 million, Pharmacy - \$ 66 million, and Professional and Other - \$ 209 million.

The BWC inpatient fee schedule was last updated by the Board effective January 2008. It is based on a standard Medicare pricing methodology, Medicare Severity Diagnosis Related Groups (MS-DRG) that is updated annually. BWC must update the rule annually to reference the new federal rule in order to be consistent with the Medicare model. In addition, as part of the annual process, BWC takes the opportunity to 1) review the adjustment factors it uses and 2) ensure that the methodology is meeting BWC's goals.

The methodology calculates a fixed price for groupings of procedures and diagnoses. Medicare adjusts pricing for each hospital using hospital-specific factors that include the hospital's average costs, its typical patient population, and prevailing wages in the hospital's geographic area within the state. In addition, the calculation provides additional reimbursement for complicated cases to ensure that hospital expenses are covered more equitably. Medicare also supports medical education programs by making additional payments to teaching hospitals.

BWC implemented Medicare's diagnosis-related groups (DRGs) in January 2007 but with customized outlier and medical education payments. In 2008, BWC revised its program to implement Medicare's new MS-DRG methodology. In the revision before you, we propose to implement Medicare's 2009 MS-DRG calculations and to make changes to our customized outlier calculation.

2009 Proposed Inpatient Fee Schedule Recommendations

For calendar year 2009, the Medical Services Division is recommending the following changes:

1. Revised outlier methodology
2. Revised payment adjustment factors
3. Update of cost-to-charge ratios for exempt providers
4. Change in the effective date for direct graduate medical education per diem rates
5. Exclusion of Medicare's hospital-acquired conditions provision

Overall, 2009 aggregate payments will be similar to those of 2008, but payments will be distributed more equitably among inpatient bill types.

1. Proposed Outlier Methodology

Currently, BWC has a customized calculation to identify outliers. Generally, an outlier is a case where costs are significantly higher than average for the type of service billed. When a bill is identified as an outlier, it is paid at a hospital-specific percentage of charges, not to exceed 60% of total charges. For 2008, this methodology has resulted in 20% of BWC's inpatient hospital payments reimbursed as outliers. However, Medicare requires that outlier payments constitute between five and six percent of total payments. A review of BWC bills paid as outliers under the current approach demonstrated that several bills paid as outliers would not be outliers under the Medicare methodology. Rather, these bills would be more appropriately reimbursed at the standard MS-DRG rate.

For 2009, we are proposing a payment methodology that will use Medicare's methodology to identify outliers, but use a distinct adjustment factor to ensure that hospitals are fairly reimbursed for these services and that reimbursement actually covers the hospitals' costs.

2. Proposed Adjustment Factors

We are proposing a two-tiered adjustment method, with MS-DRGs to be reimbursed at 120% of the Medicare rate and MS-DRG outliers to be reimbursed at 175% of Medicare.

Four other workers' compensation jurisdictions (Texas, California, North Dakota and South Carolina) were reviewed in developing this proposal. All of them have a single adjustment factor ranging between 120% (California) and 143% (Texas). North Dakota excludes a provision that adjusts payments when the injured worker is transferred to a non-acute hospital. Texas also allows providers to select a lower adjustment factor with an add-on payment for specific medical devices.

A detailed review of BWC's bill history led to the conclusion that a single adjustment factor would not adequately reimburse more serious cases as it would result in reimbursement of between 69% and 77% of the hospitals' costs on average. The proposed adjustment factors allow BWC to reimburse hospitals at slightly above cost for both MS-DRG and MS-DRG outlier payments.

3. Updated Cost-to-Charge Ratios for Exempt Providers

Hospitals that are not eligible to be reimbursed using the MS-DRG methodology (e.g. rehabilitation, psychiatric) are reimbursed at 12 % above cost-to-charge ratios (CCRs) reported to Ohio Medicaid. We are proposing no change to the 12% adjustment factor, but propose updating to the latest CCRs (state fiscal year 2007). In addition, for hospitals who do not report CCRs to Ohio Medicaid (primarily out-of-state facilities), we propose an update to the statewide average used in determining their reimbursement rate. The current exempt rate for these providers is 66% of charges and is based on Ohio's 2004 statewide average. We propose a rate of 62% of charges, which is based on the 2007 statewide average.

4. Change in Effective Date of Direct Graduate Medical Education Provision

Like Medicare, under BWC's current methodology an additional per diem is paid to hospitals that support medical education programs. We are not proposing a change to this provision, but propose to make it effective on the same date as the hospital inpatient fee schedule. It is currently effective October 1 of each year, and coincides with the federal fiscal year, but not with any of BWC's pricing effective dates.

5. Exclusion of Medicare's hospital-acquired conditions provision

BWC is excluding Medicare's provision that reduces payment in cases where specific conditions are acquired during a hospital stay. This provision is new in 2008 and has generated a great deal of controversy as it is difficult to prove that the conditions were actually acquired in the hospital. (It is possible the conditions were not detected upon admission.) BWC prefers to exclude this aspect of payment at this time. This will allow

time for Medicare to work out any issues with this aspect of the payment and will also allow BWC to validate that it receives accurate data for this payment. We do not currently capture the required data to execute this provision, but anticipate being able to capture it in early 2009.

Projected Impacts and Outcomes

The goal is for the aggregate payments to be similar to 2008, but for the distribution of payment to be more equitable. The proposed change to the outlier methodology will reduce the percent of total payments for outliers from twenty percent to 9 percent. The table below depicts BWC inpatient hospital payments for bills with discharge dates between January 1 and June 30, 2008 and models the proposed changes using the 2009 methodology. However, some payment factors resulting from the Medicare Improvements for Patients and Providers Act of 2008 will not be published before October 2008. These payment factors will slightly increase the 2009 reimbursement level. As a result, 2009 aggregate payments will be similar to those of 2008.

2008 Q1 and Q2 BWC Hospital Inpatient Experience						
Bill Type	Bill Volume	% of Total Bill Volume	Charges	Percent of Total Charges	Payment	Percent of Total Payment
DRG	1835	81%	59,403,278	68%	24,950,640	65%
Outlier	185	8%	18,550,840	21%	7,673,540	20%
Exempt	234	11%	9,212,127	11%	5,918,306	15%
Totals	2254		87,166,245		38,542,487	
2008 Q1 and Q2 Data Modeled Under 2009 Rule						
Bill Type	Bill Volume	% of Total Bill Volume	Charges	Percent of Total Charges	Payment	Percent of Total Payment
DRG	1983	88%	68,908,492	79%	28,417,197	75%
Outlier	37	2%	9,045,626	10%	3,471,827	9%
Exempt	234	10%	9,212,127	11%	5,918,306	16%
Totals	2254		87,166,245		37,807,330	
Overall Impact					-735,157	-2%

Executive Summary
Fire Fighting rules: 4121:1-21
Personal and protective clothing and equipment for fire fighting

Introduction

Chapter 4123:1-21 of the Administrative Code contain safety rules. An employer's violation of a specific safety rule can lead to an additional award for the injured worker (VSSR award). The cost of the VSSR award is billed to the employer as a penalty.

Five-Year Rule Review

Pursuant to R.C. 119.032, state agencies are required to review all agency rules every five years to determine whether to amend the rules, rescind the rules, or continue the rules without change. The legislation requires the agency to assign a rule review date for each of its rules so that approximately one-fifth of the rules are scheduled for review during each calendar year. The safety rules of Chapter 4123:1-21 of the Administrative Code are scheduled for review this year. BWC last reviewed these rules in 2003.

Rule Changes

A Task Force consisting of members from Ohio fire organizations and labor groups worked with the BWC Division of Safety and Hygiene on revising and updating the rules of Chapter 4123:1-21 of the Administrative Code, Personal and protective clothing and equipment for fire fighting. The Alliance consisted of professional fire fighter association members and fire company representatives. There are seven rules in this Chapter:

4121:1-21-01. Scope and definitions

4121:1-21-02. Personal protective clothing and equipment for structural fire fighting

4121:1-21-03. Personal protective clothing and equipment for wildland fire fighting

4121:1-21-04. Automotive fire apparatus

4121:1-21-05. Ground ladders

4121:1-21-06. Fire hose, couplings, and nozzles

4121:1-21-07. Fire department occupational safety and health

Because of the technical nature of these rules, BWC will not attempt to summarize their content in this executive summary.

12-month Audit Committee Calendar

Date	September	Notes
9/25/08	<ul style="list-style-type: none"> • Internal audit QES review • External Audit update • Firefighting rules – 2nd reading • Professional provider fee schedule • Hospital Inpatient rules <p style="text-align: right; margin-top: 20px;">4:00 pm - 6:00 pm, Level 2 Room1</p>	
	October	
10/28/08	<ul style="list-style-type: none"> • Operations review report • Safety and Hygiene report • Recommend Cmte. Charter changes • Annual meeting w/External Auditor • Interstate Jurisdiction rules - 1st reading • Quarterly litigation update <p style="text-align: right; margin-top: 20px;">4:00 pm - 6:00 pm, Level 2 Room1</p>	
	November	
11/20/08	<ul style="list-style-type: none"> • External auditor retention letter • QES review • Annual Financials MD&A review • Interstate Jurisdiction rules - 2nd reading <p style="text-align: right; margin-top: 20px;">4:00 pm - 6:00 pm, Level 2 Room1</p>	
	December	
12/17/08	<ul style="list-style-type: none"> • Annual Disaster recovery/Business Continuity Plan <p style="text-align: right; margin-top: 20px;">4:00 pm - 6:00 pm, Level 2 Room1</p>	
	January	
1/22/08		
	February	
2/19/08		

OHIO BWC 2008 PROFESSIONAL FEE SCHEDULE PROPOSAL

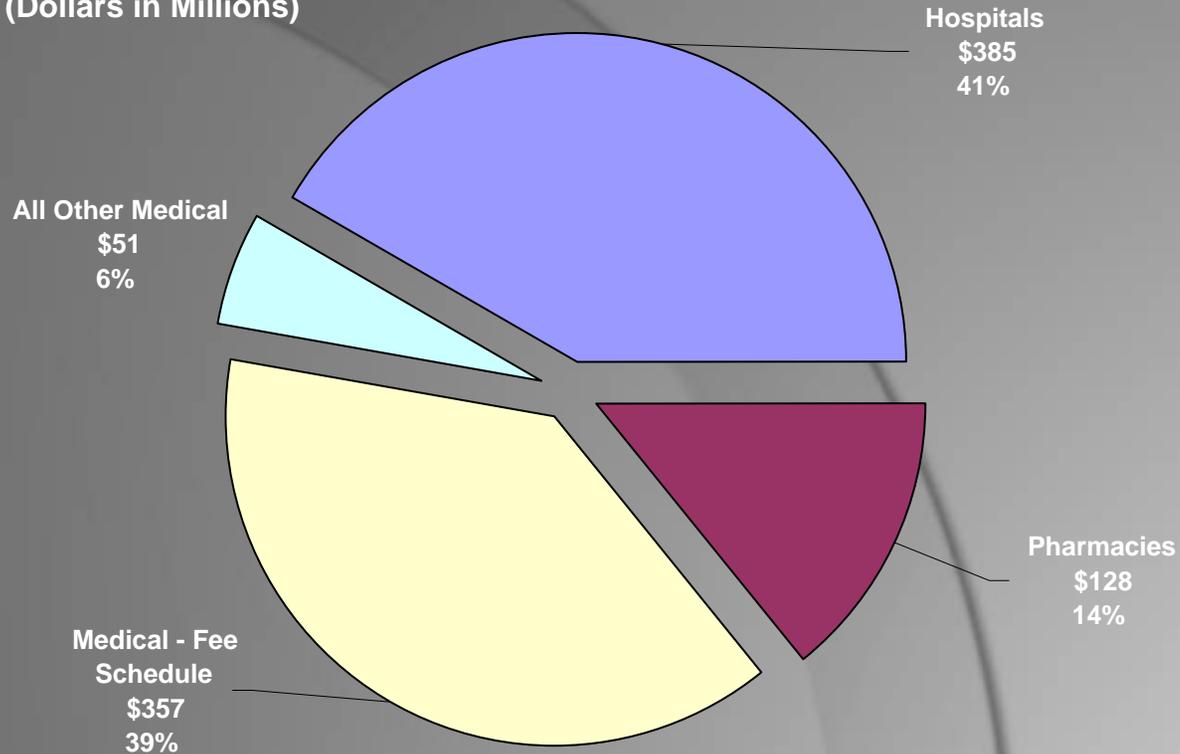
Medical Services Division
Bob Cury, Chief, Med. Serv. & Compliance
Jean Graff, Medical Policy Analyst
September 25, 2008

Introduction and Guiding Principles

- Legal Requirement for Fee Schedule Rule
- Proposed Time-line for implementation
- Guiding Principle:
 - Ensure access to high-quality medical care by establishing an appropriate Benefit plan and Terms of service with competitive fee schedule which, in turn, enhances medical provider network
- Financial Impact of Revision

Financial Overview

TOTAL MEDICAL PAYMENTS = \$799
April 2007 to March 2008
(Dollars in Millions)



All Other Medical include payments such as:

- Payments to Ambulatory Surgical Centers
- Payments (thru MIIS) for W-codes -- most notably file reviews and IMEs

Fee Schedule Revision Methodology

- Scope of Services
 - CPT Codes (10,000)
 - HCPCS Codes (3,600)
 - Local Codes (170)
- Coverage status determined
- The maximum number of units reimbursable for all codes
- Fees for medical services, medications, durable medical equipment and supplies were researched and assigned
- Researched and benchmarked Ohio against other payers

Fee Schedule Recommendations

- Adjust current HCPCS to reflect 2008 Medicare Schedule
 - Medicare's values will be increased by 20%
- Local Codes
 - Increase Mileage from .31 to .51 cents per mile
 - Maintain all other local fees
- CPT Codes
 - RVUs updated to Medicare's 2008 Unadjusted RVUs
 - Adjust conversion factor

Proposed & Alternative CPT Conversion Factors

Service Grouping	Current	% over Medicare	Proposed	% over Medicare	Other Approach	% over Medicare
Radiology	\$ 55.00	144%	\$ 50.00	131%	\$ 51.00	134%
Physical Medicine	\$ 51.00	134%	\$ 50.00	131%	\$ 51.00	134%
General Medicine	\$ 44.27	116%	\$ 50.00	131%	\$ 51.00	134%
Surgery (*)	\$ 79.10	208%	No Change	208%	No Change	208%
Pathology (**)	See Below		No Change		No Change	
Anesthesia (***)	\$ 42.50	213%	\$ 40.00	200%	\$ 42.50	213%
Total and Change	\$357 M		\$18 M 5%		\$23 M 6%	

* Injections proposed to be paid at \$50.00 CF

**Pathology is currently paid at 125% of Medicare Fee Schedule

*** Anesthesia is currently paid at \$42.50 time the number of base units plus \$42.50 per 15 minutes

Medicare has a single CF of \$38.0870 Medicare's Anesthesia base rate is \$19.97

Thank You

Appendix

Conversion Factor Comparison for 2008 Proposed Fee Schedule Recommendation

	Surgery	Radiology	Physical Medicine	General Medicine
<i>Medicare (3)</i>	38.09	38.09	38.09	38.09
Mountain State Blue Cross/Blue Shield	66.71	78.47	47.69	47.69
Minnesota WC	77.56	N/A	61.55	77.56
Utah WC	37.00	53.00	44.00	44.50
West Virginia WC	46.53	42.30	42.30	42.30
Washington State WC	61.53	61.53	61.53	61.53
Arizona WC (1)	142.24	***	***	***
Maryland WC	53.77	40.70	40.70	40.70
Tennessee WC	95.22	76.17	49.51	60.94
Illinois WC (2)	***	***	***	***
Texas WC	59.58	52.83	52.83	52.83
Michigan WC	50.20	50.20	50.20	50.20
North Dakota WC	60.00	60.00	60.00	60.00
Nevada WC (1)	175.99	31.88	***	***
Group Mean CF	77.19	54.71	51.03	53.83
Group Median CF	60.76	52.91	49.86	51.51
BWC Proposed CF	79.10	50.00	50.00	50.00

- (1) Reimbursement Fees of less than \$20 were identified as outliers and excluded from the group average calculations.
- (2) Illinois pays a flat 76% of the providers billed amount.
- (3) Medicare used as a standalone baseline comparison, it was not included in the group average calculations.

Proposed CPT Revisions

Relative Value Units (RVU)

$$\text{RVU} \times \text{GPCI} \times \text{CF} = \text{Provider Fee}$$
$$39.757 \times .9651 \times \$79.10 = \$3035.02$$

- RVUs updated to Medicare's 2008 Unadjusted RVUs
 - The RVU for each CPT code includes three components:
 - Work - level of difficulty to provide the service
 - Practice Expense - overhead such as staff, rent, utilities
 - Malpractice – level of risk associated with the service
 - Geographical Practice Cost Index (GPCI)
- Why use Unadjusted RVUs?
 - Medicare adjusts RVUs to comply with federal budget laws
 - Using Unadjusted RVUs BWC starting point is at a minimum 12% higher than Medicare's utilized adjusted RVUs
 - Approximately 85% of the RVUs increased

Proposed CPT Revisions

Conversion Factor (CF)

$$\begin{array}{rcccccc} \text{RVU} & \times & \text{GPCI} & \times & \text{CF} & = & \text{Provider Fee} \\ 39.757 & \times & .9651 & \times & \$79.10 & = & \$3035.02 \end{array}$$

- Conversion Factor (CF)
 - BWC's assigned price for each category of service
- Guiding Principle:
 - Ensure **access to high-quality** medical care
 - Medical Management / Return to Work
 - Competitive fee schedule which enhances medical provider network
 - What get us where we need to be?
 - Where Have All The Doctors Gone?

Impacts and Outcomes

- Maintenance of Provider Reimbursement of at least 140% over Medicare's Reimbursement Fees

- Medical Costs Impact
 - An estimated 5.0% increase over provider reimbursement made between April 2007 – March 2008
 - Estimated dollar figure is \$18 million

- Medical Service Enhancements
 - Established better benefit plan
 - More competitive reimbursement rates
 - Improve consistency of reimbursement across providers
 - Improve access to care

Proposal Impact – by Service Type

(Dollars in Millions)

Service Type	Current	Proposed	Change	% Change
Anesthesia	\$ 10.4	\$ 9.8	\$ (0.6)	-6%
Surgery	\$ 55.6	\$ 56.3	\$ 0.7	1%
Therapeutic Injections	\$ 6.9	\$ 6.4	\$ (0.5)	-8%
Radiology	\$ 22.3	\$ 20.5	\$ (1.8)	-8%
Pathology	\$ 0.9	\$ 0.9	\$ (0.0)	0%
Gen. Medicine	\$ 21.7	\$ 23.4	\$ 1.7	8%
Phys. Medicine	\$ 102.8	\$ 100.1	\$ (2.7)	-3%
Eval & Mgmt	\$ 61.8	\$ 77.6	\$ 15.8	26%
Other (HCPCS & Local)	\$ 74.7	\$ 79.9	\$ 5.2	7%
TOTALS	\$ 357.1	\$ 374.9	\$ 17.8	5%

Dollar amounts are based on actual services paid for between April 1, 2007 and March 31, 2008.

BWC 2008 Proposed Professional Provider Fee

Medical Service Enhancements

Prompt, effective medical care makes a big difference for those injured on the job. It is often the key to a quicker recovery and timely return-to-work and quality of life for injured workers. Thus, maintaining a network of dependable medical and vocational rehabilitation service providers ensures injured workers get the prompt care they need. It also ensures access to quality, cost-effective service. Access for injured workers, and employers, means the availability of quality, cost-effective treatment provided on the basis of medical necessity. It facilitates faster recovery and a prompt, safe return to work.

The Medical Services Division has focused on improving its core medical services functions. Our goals are as follows: enhance our medical provider network, establish a better benefits plan, institute an updated and competitive provider fee schedule, improve our managed care processes, and establish excellent medical bill payment services.

Professional Provider Fee Schedule

Introduction and Methodology

As stated, implementing a sound and effective provider fee schedule is a critical component of the Medical Services Division's goals. The Ohio Bureau of Workers Compensation reimburses approximately 70,000 providers for medical services rendered to Ohio's injured workers. An appropriate fee schedule is integral to maintaining an effective and comprehensive network of physicians, specialists, and support services and supplies. An equitable and competitive fee for the right medical service is essential to maintain a quality provider network across the wide range of necessary provider disciplines. Thus, the guiding principle is to ensure access to high-quality medical care by establishing an appropriate Benefit plan and Terms of service with a competitive fee schedule which, in turn, enhances BWC's medical provider network.

The BWC medical fee schedule has not been revised since 2004. As a result, BWC Medical Services undertook a comprehensive review of the benefit plan and corresponding medical fee schedule. The process for the comprehensive review included:

- A.** Reviewing specific goods and services coverage status relative to indicators of medical necessity and appropriateness of care, and revising accordingly.
- B.** Assessing the existing maximum number of service units for all codes in relation to expected patterns of service delivery and revising accordingly.
- C.** Researching fees for medications, durable medical equipment and supplies in relation to current market basket values and adjusting accordingly.
- D.** Analyzing conversion factors used in the calculation of professional fees.

In applying the above process, the Medical Policy staff reviewed over 10,000 CPT®¹ codes, 3600 HCPCS² codes and 170 local codes.

Provider fees for each of the grouping of codes utilize a different calculation. Provider fees for the CPT® code grouping utilize a Relative Value Unit, a Geographical Practice Cost Index and a BWC Conversion Factor (or dollar amount). Provider fees for the HCPCS code grouping utilizes Medicare's published fee schedule which BWC increases by twenty percent (20%). Provider fees for the 170 Local codes groupings utilizes BWC's separately developed fee schedule.

Calculating Provider Fees Per the CPT codes

BWC currently utilizes the Resource-Based Relative Value Scale (RBRVS) developed in 1992, by the Federal Center for Medicare and Medicaid Services for professional reimbursements associated with the CPT® codes. The foundation of RBRVS is a strong, empirical research methodology. BWC has utilized the RBRVS, at least, since 1997.

Each year Medicare updates its CPT fees under the RBRVS approach. Medicare fees are composed of two component parts: the relative value unit (RVU) and a conversion factor (CF). The fee schedule includes services such as office visits, hospital care, procedures, etc.

An individual RVU is calculated for each procedure by looking at the associated relative work and costs of services. RVUs allow comparison of apples to oranges (i.e., surgery to primary care visits) and can relatively and appropriately set the allowable payment for any service in any specialty.³ Each specific CPT code for a medical service is assigned a RVU based on the degree of service intensity the procedure requires. Further, the RVUs reflect costs for overhead and malpractice. Finally, there is a regional cost adjustment. The regional cost adjustment is called the Geographical Practice Cost Index (GPCI). There is a separate GPCI for work expended, overhead, and malpractice.

It must be noted that Medicare then performs a further adjustment to the RVU. Based on budget neutrality objectives, Medicare adjusted the 2008 RVUs by "reducing" the unadjusted RVU's relative work component by 11.94%. However, BWC does not utilize Medicare's "adjusted RVU" value. Rather, for 2008, as for prior years, BWC uses Medicare's "unadjusted RVU" which provides a higher value than the adjusted RVU.

The fee, or the amount of payment, for service, then, is a function of the multiplication of the service's designated unadjusted RVU by the CF. The CF is the dollar amount selected for that category of service. While the BWC adopts Medicare's unadjusted RVUs for relevant CPT Codes, BWC uses its own CF to set the final fee for service.

¹ Current Procedure Terminology - The manual published by the American Medical Association (AMA) which assigns numeric codes to describe procedures for professional services.

² Health Care Procedural Coding System as provided by Federal Center for Medicare and Medicaid Services (CMS)

³ Johnson and Newton, Resource-Based Relative Value Units: A Primer for Academic Family Physicians, Department of Family Medicine, University of North Carolina (2002)

The following table provides BWCs current CF. The “Pct of Medicare” column reflects the percent of BWC’s Current CF over Medicare’s CF of \$38.087.

Current Conversion Factors

Service Group CPT Codes for:	Current CF	Pct of Medicare
Radiology	\$55.00	148%
Phys Med	\$51.00	134%
Gen Med	\$44.27	117%
Surgery	\$79.10	200%
Anesthesia (*)	See Below	239%
Pathology (**)	See Below	125%

* Anesthesia is paid at \$42.50 time the number of base units plus \$42.50 per 15 minutes
 ** Pathology is paid at 125% of Medicare Fee Schedule
 Medicare has a single CF of \$38.0870

Ohio Bureau of Workers' Compensation

The following table demonstrates the payment calculation for two varied services – a simple laceration repair and total knee replacement:

Calculating Fee Schedule for a CPT code

Fee Schedule	12001 - simple laceration repair			27447 - total knee replacement		
	RVU	GPCI	Product	RVU	GPCI	Product
Work	1.7200	0.9920	1.7062	23.0400	0.9920	22.8557
Practice Expense	1.8600	0.9300	1.7298	13.5800	0.9300	12.6294
Malpractice	0.1500	1.0970	0.1646	3.8000	1.0970	4.1686
Sum of Products			3.60			39.65
Times Conversion Factor			\$79.10			\$79.10
Reimbursement Rate (Fee Schedule)			\$284.81			\$3,136.61

Ohio Bureau of Workers' Compensation

Calculating Provider Fees Utilizing HCPCS Codes

The 3600 HCPCS codes mentioned earlier includes services such as durable medical equipment, supplies, medications, vision services, prosthetics and others. Medicare annually evaluates all of the services and supplies listed under those codes and establish a fee for each of those services. The BWC has, at least since 1997, utilized the Medicare set fees with a twenty percent (20%) addition.

An example of a HCPCS calculation is as follows: calculation for a: Range of Motion Device (rental)

$$\begin{array}{rclclcl} \text{Medicare Fee} & + & 20\% & = & \text{Provider Fee} \\ \$22.00 & + & \$4.40 & = & \$26.00 \end{array}$$

Calculating Provider Fees Utilizing 170 Local Codes

The 170 Local codes include services such as vocational rehabilitation services, exercise equipment, supplies, mileage reimbursement, and others. Local codes have been devised to assign a coding scheme for services not included in the Medicare HCPCS manual. The BWC for the 2008 recommendation performed market pricing to establish the recommended fee schedule for professional services and products placed under these codes.

2008 Proposed Fee Schedule Recommendations

The BWC 2008 proposed revisions take into account industry best practices and inflation since the last update of the fee schedule in 2004. Further, the BWC took advantage of all of the empirical research the Federal Center for Medicare and Medicaid Services underwent when the Center updated the RBRVS. The analysis and recommendations were guided by the principle of ensuring access to high-quality medical care by establishing an appropriate Benefit plan and Terms of service with a competitive fee schedule which enhances BWC's medical provider network. Therefore, the BWC Medical Services recommends updating the fee schedule to reflect current Medicare 2008 RVUs for all relevant CPT codes.

Additionally, Medical Services recommends that the proposed fee schedule contain two CFs. Research and analysis indicates that a best practice is to have at most 2 conversion factors in a fee schedule. A 2006 Workers Comp Research Institute fee schedule report indicates that multiple conversion factors for specialty and invasive care may potentially create financial incentives for overuse of those services.⁴ "Most state fee schedules create financial incentives to under use primary care and overuse invasive and specialty care. ...Hawaii, Texas, Washington, Michigan, West Virginia, South Carolina, Maine, Florida, Massachusetts and Maryland avoid this by following a reasonably transitioned RBRVS and setting a similar conversion factor across the different service groups."⁵ Additionally, a study performed by The Lewin Group indicated that "[a]lthough Medicare uses a single conversion factor, the workers' compensation programs in the states...reviewed typically use multiple conversion factors. In its simplest form, this

⁴ Benchmarks for Designing Workers' Compensation Medical Fee Schedules: 2006

⁵ Benchmarks for Designing Workers' Compensation Medical Fee Schedules: 2006, page 3 of the report under the topic of Major Findings

involves two conversion factors, one for surgical services and one for all other services.”⁶ Thus, BWC recommends a CF of **\$50.00** for all relevant services, with the exception of surgery. The surgical CF will remain at **\$79.10**.

The following table provides BWCs proposed conversion factors.

Service Grouping	Current		Proposed	
	CF	Pct of Medicare	CF	Pct of Medicare
Radiology	\$55.00	148%	\$50.00	132%
Physical Medicine	\$51.00	134%	\$50.00	132%
General Medicine	\$44.27	117%	\$50.00	132%
Surgery (*)	\$79.10	200%	No Change	200%
Pathology (**)	See Below	125%	No Change	125%
Anesthesia (***)	\$42.50	239%	\$40.00	235%

* Injections proposed to be paid at \$50.00 CF
 **Pathology is currently paid at 125% of Medicare Fee Schedule
 *** Anesthesia is currently paid at \$42.50 time the number of base units plus \$42.50 per 15 minutes
 Medicare has a single CF of \$38.0870 Medicare's Anesthesia is base rate is \$17.00

Ohio Bureau of Workers' Compensation

The proposed CF recommendations are based on research comparing various states' approaches to provider payments. Based on research of the various states, the proposed fee schedule places Ohio well within the range of other payers, which is appropriate considering factors such as Ohio cost of living, access to care, etc.

The proposal also takes into account provider access to care issues and provides our Physicians of Record with a necessary increase. Our Physicians of Record (POR) were historically paid at a lower rate than other specialties. When considering the RBRVS payment methodology, the level of reimbursement for POR services is relatively low.

Medical Services further recommends that the 2008 fee schedule be updated to reflect Medicare's 2008 HCPCS fees with a twenty percent (20%) addition.

Medical Services further recommends that the 2008 fee schedule be updated to adjust the Local codes to current market basket values.

⁶ Adapting the RBRVS Methodology to the CWCS Physician Fee Schedule, The Lewin Group, an Ingenix Company

Projected Impacts and Outcomes

The financial impact of the proposed changes to the state fund is estimated at \$18 million or an increase of about 5% over the 2007 related medical payments. The detail projections reflect that approximately 85% of the 2007 services and product reimbursements would experience an increase, while 15% would experience a decrease.

The proposed changes will result in an improved benefit plan, more competitive reimbursement rates, consistency of reimbursement across providers, and improved access to care.

Additional Consideration

It is essential for BWC to obtain provider and stakeholder insights and comments on the benefit plan and corresponding fee schedule. Thus, BWC engaged all impacted stakeholders. In early July, notification letters were mailed to over 28,000 BWC providers. In addition, all stakeholder groups, including employer associations and provider associations were provided email notification. The notifications indicated that the recommended fee schedule was posted on the BWC website and comments would be accepted from July 8 through August 15th. Providers and stakeholders submitted 253 comments, and a compilation of their submissions is provided in the Appendix to this document.

Additionally, a provider forum was held on July 22, 2008 with representatives from twelve (12) medical associations in attendance. BWC, as well conducted small group provider association meetings, with Anesthesiologists, the Ohio Association of Rehabilitation Facilities, and the International Association of Rehabilitation Professionals.

The Medical Services staff has evaluated and responded to the points made by those submitting comments and letters. We are continuing to engage providers in valuable exchanges of ideas. The value of the provider and stakeholder input is underscored by the subsequent action of the Medical Services staff in revisiting and modifying some individual service fees. While all of the provider concepts could not be sufficiently vetted for the 2008 recommendations, these ideas and models are a good basis for further development in the 2009 effort.

APPENDIX

Medical Policy Department Provider Fee Schedule Proposal Stakeholder Feedback

August 21, 2008

On July 7, 2008, the provider fee schedule revision proposal was posted on BWC's website, offering stakeholders the opportunity to review and opine. The proposal included all 14,000 codes and all changes included in our proposal to the Board of Directors' Auditing Committee. Ultimately, we are in pursuit of an Ohio Rule change, preparing for January 1, 2009 implementation. An E-mail feedback box was offered to the providers for input, which remained open to the public through August 15, 2008.

We received a total of 253 inquiries/comments and we have consolidated the majority of the responses into five categories. These five categories/specialties represent approximately 75% of the total volume.

Following are the results of our research and synopsis of the responses from BWC to the respective specialties:

Specialty	Fee Schedule Proposal	Feedback/Comments Received per Specialty	BWC Response
<p>Anesthesia</p> <ul style="list-style-type: none"> • Anesthesia time and units • Pain Management <p>This category represents 17% of the total inquiries received.</p>	<p>Anesthesia reimbursement:</p> <ul style="list-style-type: none"> • Currently \$42.50 per unit, 15 minutes represents one time unit • Proposal - \$25 per unit, 10 minutes represents one time unit <p>Pain Management Codes</p> <ul style="list-style-type: none"> • Updated to Medicare 2008 RVU's 	<p>Anesthesia reimbursement</p> <ul style="list-style-type: none"> • The change from 15 minute time units to 10 minutes would create a burden, requiring programming change in billing systems • A reduction of \$42.50 per unit would be inappropriate when considering private industry payment levels <p>Pain Management</p> <ul style="list-style-type: none"> • Some procedures were not reimbursed in the office setting; however, were reimbursed when performed in an Ambulatory Surgery Center or out patient hospital. 	<p>Anesthesia reimbursement</p> <ul style="list-style-type: none"> • We will revert back to the 15 minute time units, while reimbursing at \$40 per unit. (This lowers the hourly rate from \$170 to \$160; however reimbursement still remains at approximately 200% of Medicare. <p>Pain Management</p> <ul style="list-style-type: none"> • After further benchmarking/research to determine the appropriate reimbursement level, we are covering the procedures in question for office to divert a cost shifting to the Ambulatory Surgery Centers or out patient hospitals.

Specialty	Fee Schedule Proposal	Feedback/Comments Received per Specialty	BWC Response
<p>Chiropractic Manipulations</p> <p>This category represents 22% of the total inquiries received.</p>	<ul style="list-style-type: none"> • Medicare 2008 RVU's lowered the chiropractic manipulations approximately 1% from the existing 2004 fee schedule • Proposal to lower physical medicine conversion factor to \$50 per unit results in a \$1 per unit reduction. • The conversion factor for evaluation and management would be raised from \$44 per unit to \$50 per unit, which would result in an increase in general medicine. 	<ul style="list-style-type: none"> • This proposal results in a double hit by reduction in both the RVU and conversion factor. • Since we have not updated the fee schedule since 2004, an increase in reimbursement would have been expected, not a reduction. • Cost of living and types of procedures performed warrant an increase in reimbursement. • Evaluation and management codes are billed at a much lower volume than manipulations; therefore, overall reimbursement would result in a net decrease. 	<p>BWC acknowledge that this is one of the service areas projected to experience a decrease. However, as the team reevaluated this service area the original related recommendation is considered appropriate given the objectives and guiding principles underlying the 2008 fee schedule reimbursement considerations.</p>

Specialty	Fee Schedule Proposal	Feedback/Comments Received per Specialty	BWC Response
<p>Radiology</p> <p>This category represents 14% of the total inquiries received.</p>	<ul style="list-style-type: none"> • Medicare 2008 RVU's are approximately 8% lower than the existing level of reimbursement. • The conversion factor for radiology will be decreased from \$55 per unit to \$50 per unit. 	<ul style="list-style-type: none"> • MRI's will be paid an inordinately lower rate and will become too costly to conduct. • BWC requirements surrounding need for x-rays and MRI's does not support a decrease in reimbursement • Due to cost of living and length of time fee schedule has remained unchanged, specialty of radiology is warranted an increase 	<p>Medicare research supports the reduction in reimbursement for MRI's due to the RVU calculation, which includes overhead. Overhead costs have reduced for multiple radiological testing.</p>
<p>Orthotics</p> <p>This category represents 9% of the total inquiries received.</p>	<p>Medicare's 2008 HCPCS fee schedule was utilized to update the existing fee schedule. Medical Policy review resulted in several codes identified as non-covered.</p>	<ul style="list-style-type: none"> • Several codes for customized orthotics/prosthetics were reimbursed at a lower rate than the pre-fabricated orthotics and/or prosthetics. • Previously covered codes were now deemed non-covered 	<p>After considerable research and additional review, many of these codes were changed from non-covered to covered status. This communication identified an oversight on Medical Policy's final analysis. Corrections will be made and included in the final proposal. Custom items will be reimbursed at a higher rate than pre-fabricated.</p>

Specialty	Fee Schedule Proposal	Feedback/Comments Received per Specialty	BWC Response
<p>Vocational Rehabilitation</p> <ul style="list-style-type: none"> • Physical Therapy <p>This category represents 13% of the total inquiries received.</p>	<ul style="list-style-type: none"> • Vocational Rehabilitation revision included two changes: mileage reimbursement increase and a change in payment methodology • Physical Medicine conversion factor was changed from \$51 per unit to \$50 per unit. 	<ul style="list-style-type: none"> • Vocational Rehabilitation case management had not experienced an increase in the last 10 years. • Physical therapists were concerned with the decrease in payment, considering the need for the service in workers compensation 	<p>BWC acknowledge that this is also another one of the service areas projected to experience a decrease. However, as the team reevaluated this service area the original related recommendation is considered appropriate given the objectives and guiding principles underlying the 2008 fee schedule reimbursement considerations.</p>

Responses, by specialty, will be disseminated to the appropriate medical associations. Any individual coding questions will be addressed through E-mail from Medical Policy.

Common Sense Business Regulation (BWC Rules)

(Note: The below criteria apply to existing and newly developed rules)

Rule 4123-6-08

Rule Review

1. The rule is needed to implement an underlying statute.

Citation: O.R.C. 4121.441(A)(8); O.R.C. 4123.66

2. The rule achieves an Ohio specific public policy goal.

What goal(s): The rule adopts a discounted pricing fee schedule for workers' compensation medical services in accordance with O.R.C. 4121.441(A)(8) and *Ohio Hosp. Assn. v. Ohio Bur. of Workers' Comp.*, Franklin App. No. 06AP-471, 2007-Ohio-1499.

3. Existing federal regulation alone does not adequately regulate the subject matter.

4. The rule is effective, consistent and efficient.

5. The rule is not duplicative of rules already in existence.

6. The rule is consistent with other state regulations, flexible, and reasonably balances the regulatory objectives and burden.

7. The rule has been reviewed for unintended negative consequences.

8. Stakeholders, and those affected by the rule were provided opportunity for input as appropriate.

Explain: The proposed fee schedule was placed on www.ohiobwc.com on July 7, 2008 and stakeholders were given until August 15, 2008 to submit comments. In addition, a fee schedule forum was held in the BWC William Green Auditorium on July 22, 2008.

9. The rule was reviewed for clarity and for easy comprehension.

10. The rule promotes transparency and predictability of regulatory activity.

11. The rule is based on the best scientific and technical information, and is designed so it can be applied consistently.

12. The rule is not unnecessarily burdensome or costly to those affected by rule.

If so, how does the need for the rule outweigh burden and cost? _____

13. The Chief Legal Officer, or his designee, has reviewed the rule for clarity and compliance with the Governor's Executive Order.

**BWC Board of Directors
Audit Committee**

FY 08 4th Quarter Executive Summary Report

September 25, 2008

Caren Murdock, Chief of Internal Audit
Rich Ridewood, IT Audit Director
Keith Elliott, Senior Manager

To: Audit Committee Members
From: Caren Murdock, Chief of Internal Audit
Date: September 25, 2008

Fiscal Year 08 4th Quarter Executive Summary report

Following you will find the Fiscal Year 2008 4th Quarter Executive Summary report containing:

1. Audit comment status
 - 1a. Comments issued 4th quarter
 - 1b. Comments outstanding as of June 30, 2008
2. Audit follow-up procedures
3. Audit comment rating criteria
4. Fiscal Year 09 Audit Plan

**BWC INTERNAL AUDIT DIVISION
COMMENTS ISSUED – 4TH QUARTER ACTIVITY**

Subrogation Audit – May 2008

Business area: **Legal**

The focus of the Subrogation Audit was to assist management in evaluating the subrogation process by reviewing key compliance and internal control related components of processing and administering subrogation claims. The audit scope consisted of a review of subrogated claims processed between April 9, 2003 through December 31, 2007, and Santos case claims from 1993 through 2003.

Activity Reviewed:

- Evaluated if current internal controls were adequately designed for processing and administering subrogation claims;
- Determined the adequacy of controls for the recovery process;
- Assessed the adequacy of quality assurance procedures;
- Determined if subrogated claims were processed in accordance with BWC policy/procedures and statutory requirements; and
- Evaluated whether the subrogation process is efficiently and effectively administered.

	Recommendation	Disposition
1	Collaborate with all units involved to document an agency-wide workflow of the subrogation process. Significance Rating: Material Weakness	The Subrogation Unit will work with the applicable business units to document an agency-wide subrogation process. Responsible Chief: Chief Legal Officer Target Resolution Date: December 2008
2	Reevaluate and appropriately reassign responsibilities to ensure a proper crosscheck of duties. Significance Rating: Material Weakness	An employee now verifies postings performed by the Customer Service Assistant and the process will be re-evaluated to ensure a proper crosscheck of duties. Responsible Chief: Chief Legal Officer Current Resolution Status: Implemented and Validated
3	Reconcile the monies received for accuracy and completeness, and verify the accuracy of the outstanding balance. Significance Rating: Material Weakness	The Subrogation Unit’s management will collaborate with all units involved to define responsibilities, develop, and implement a reconciliation process. Responsible Chief: Chief Legal Officer Target Resolution Date: September 2008
4	Provide refresher-training modules and implement monitoring procedures and quality assurance reviews to identify missed	A workgroup will be formed to address missed and incomplete subrogation referrals encompassing all items included in

	Recommendation	Disposition
	subrogation referrals. Significance Rating: Material Weakness	discussion components. Responsible Chief: Chief of Customer Services Target Resolution Date: September 2008
5	Establish proactive controls to monitor invoicing and collection, update policies and procedures, automate the billing process, and create management reports. Significance Rating: Significant Weakness	The Subrogation Unit will work with Infrastructure & Technology to develop an automated billing system and create internal controls to verify the billing process is accurate and complete. Responsible Chief: Chief Legal Officer Current Resolution Status: Implemented and Validated
6	Consider assigning unit responsibilities based on job skills and dollar thresholds, prioritize cases and evaluate if a portion of the caseload can be outsourced to external parties, and develop monitoring and quality assurance reviews to ensure timely and efficient processing. Significance Rating: Significant Weakness	Management will re-evaluate staffing needs and recommend the appropriate changes. Responsible Chief: Chief Legal Officer Target Resolution Date: November 2008
7	Define responsibilities, provide additional training, improve communication between the two departments, and utilize the Service Offices' subrogation coordinators to research incomplete referrals. Significance Rating: Significant Weakness	A workgroup will define responsibilities and implement a plan to ensure a quality subrogation referral. Responsible Chief: Chief of Customer Services Target Resolution Date: September 2008
8	Establish proactive controls and monitoring processes to ensure eligible class members receive repayment notices within the court decreed timelines. Significance Rating: Significant Weakness	Subrogation met with IT to develop a report to notify subrogation of address changes for Santos claims. The report was created but minor enhancements are needed before this report can be relied upon for address updates. Responsible Chief: Chief Legal Officer Target Resolution Date: August 2008
9	Develop ongoing reporting and conduct detailed trending and analysis of data to assist in monitoring the subrogation processes. Significance Rating: Significant Weakness	A staff member will be assigned to manage the Attorney General Office's portfolio and the Unit will meet with Infrastructure & Technology to request enhancements to the current system. Responsible Chief: Chief Legal Officer Target Resolution Date: September 2008 (Meet with IT); December 2009 (potential target date for IT)
10	Consider collaborating with Infrastructure & Technology (IT) to explore potential system enhancements to better support the subrogation process.	The Subrogation Unit will work with IT to develop a system that is integrated with other BWC systems. Responsible Chief: Chief Legal Officer

	Recommendation	Disposition
	Significance Rating: Significant Weakness	Target Resolution Date: September 2008 (Meet with IT); December 2009 (potential target date for IT)
11	Consider establishing a settlement process similar to the Service Offices and implement quality assurance procedures to verify compliance with policies. Significance Rating: Significant Weakness	The Subrogation Unit will update the policies and procedures to include key items required to be in the Subrogation file and implement a quality assurance process. Responsible Chief: Chief Legal Officer Current Resolution Status: Implemented and Validated
12	Establish a list of required subrogation documents, store files in a centralized repository, and implement quality assurance procedures to verify compliance with policies. Significance Rating: Significant Weakness	The Subrogation Unit will update the Subrogation Training Manual to define required documents and implement a quality assurance process to verify compliance with policy. Responsible Chief: Chief Legal Officer Current Resolution Status: Implemented and Validated

Auditor Opinion:

Management should take immediate action to address segregation of duties weaknesses and the lack of key internal controls within the subrogation recovery process. In general, a lack of communication and collaboration exists among the units involved in the subrogation process. There are no agency-wide documented policies and procedures. In addition, the process for identifying potential subrogation claims and referrals should be made more effective and efficient, and quality assurance procedures do not adequately verify compliance with policy and procedures. Lastly, the communication and reporting of Santos case claim information is inadequate.

Forthwith/Miscellaneous Special Payments Audit – July 2008

Business area: Fiscal and Planning

The BWC Internal Audit Division conducted an audit of forthwith (including payment-on-demand or POD) and miscellaneous special payments to assist management in evaluating controls over the forthwith and miscellaneous special payments process. The audit scope consisted of payment transactions completed between January 1, 2007 and December 31, 2007.

Activity Reviewed:

- The level of compliance with BWC policies and procedures;
- The adequacy of design and operating effectiveness of current internal controls; and
- The adequacy of quality assurance procedures in place over the process.

	Recommendation	Disposition
1	Revise payment processing procedures for payments requested via the C-31RE forms to	The Fiscal and Planning Division has modified the authorization procedures for

	Recommendation	Disposition
	require the submission of proof of appropriate higher level authorizations. Significance Rating: Significant Weakness	manual day work and special payments. Responsible Chief: Chief of Fiscal & Planning Current Resolution Status: Implemented and Validated
2	Revise written policies and procedures for payment processing to specify the group of authorized approvers (and their alternates) for Payment on Demand request forms and require signatures of Senior Staff for larger forthwith payments. Significance Rating: Significant Weakness	Subsequent to the identification of this issue, the Fiscal and Planning Division revised the signature requirements on payments. Responsible Chief: Chief of Fiscal & Planning Current Resolution Status: Implemented and Validated
3	Recover the \$100,000 overpayment from the Attorney General Office (AGO). Significance Rating: Significant Weakness	The Accounts Receivable Department recovered the overpayment to the AGO. Responsible Chief: Chief of Fiscal & Planning Current Resolution Status: Implemented and Validated
4	Revise forthwith/payment on demand procedures to ensure that such payments are not issued without proper authorization. Significance Rating: Significant Weakness	While management feels that existing policies are clear regarding electronic benefit transfer load authorization requirements, and management review procedures resulted in the identification of the identified items, the Accounting Department will review the processes to determine additional cost-effective methods of improving controls. Responsible Chief: Chief of Fiscal & Planning Target Resolution Date: July 2008
5	Update the records in Data Warehouse for the affected warrants to reflect their current warrant status. Management should evaluate controls in place to ensure proper warrant status information in Data Warehouse (DW). Significance Rating: Significant Weakness	The outstanding warrants in the DW were a result of an implementation issue associated with sending all payments to the DW and the impacted records were corrected. Responsible Chief: Chief Information Officer Current Resolution Status: Implemented and Validated
6	Modify the Rates & Payments system to include basic information on all warrants initiated within it. Significance Rating: Significant Weakness	Phase 1 of the Electronic Funds Transfer Mandate program is to be implemented in November 2008. Responsible Chief: Chief Information Officer Target Resolution Date: November 2008
7	Explore options of incorporating data on forthwith/payment on demand and miscellaneous special payments into V3. If this is not feasible, management should	Customer Services is currently auditing all claim related forthwith and miscellaneous special payments for appropriateness as close as practical to the issuance of a

	Recommendation	Disposition
	consider alternatives to strengthen controls to provide additional protections against duplicate payments. Significance Rating: Significant Weakness	warrant. Responsible Chief: Chief of Customer Services Current Resolution Status: Implemented and Validated

Auditor Opinion:

Overall, the audit identified various areas in which controls over the forthwith and miscellaneous special payments process were working effectively. However, the audit identified a number of process controls which could be improved. The primary improvements included:

- Revision of payment processing procedures for payments requested via the C-31RE forms to require the submission of proof of appropriate higher level authorizations; and
- Revision of written policies and procedures for payment processing to specify the group of authorized approvers (and their alternates) for payment on demand request forms and require signatures of Senior Staff for larger forthwith payments.

Management is generally in agreement with the audit findings and recommendations and in some instances has already implemented corrective action. The audit also identified five minor recommendations for management's consideration.

Managed Care Organization (MCO) Audit # 4 – July 2008
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The BWC Internal Audit Division conducted an audit of MCO # 4. The audit focused primarily on the evaluation of internal controls and compliance with contractually required policies and procedures established by BWC. The audit scope consisted of a review of activity occurring between January 2007 and March 2008.

Activity Reviewed:

- Evaluated internal control design and whether controls were placed in operation;
- Assessed compliance with contract requirements and policy established by BWC;
- Areas of focus included:
 - Case management;
 - Provider account controls and accuracy;
 - Bill processing;
 - Resolution of prior audit recommendations (BWC issues, SAS 70 audit findings, external auditor issues); and
 - Review of key outsourced operations at vendor locations.

	Recommendation	Disposition
1	Modify the MCO system backup procedures to ensure that backup devices are encrypted. Significance Rating: Significant Weakness	MCO management is in the process of revising backup procedures to include encryption of backup devices. This should

	Recommendation	Disposition
		be completed by 12/31/2008. Target Resolution Date: December 2008
2	Log all incoming checks upon arrival and reconcile bank deposits/statements to the log. Significance Rating: Significant Weakness	MCO management revised the procedures to include the logging of incoming checks and reconciliation of daily deposit information to the log. Current Resolution Status: Implemented and Validated
3	Revise procedures to ensure that the mailroom date stamps all mail (including bills) upon receipt. Posted procedures should match the MCO's policy and procedure manual. Significance Rating: Significant Weakness	MCO management has updated the policies and procedures to ensure posted procedures match the policies and procedures manual. MCO management disagrees with the recommendation to date stamp items immediately upon receipt and feels existing processes ensure accurate receipt information. Target Resolution Date: May 2008 (policy updates)
4	Work with BWC adjustment personnel to attempt to resolve provider account reconciling items in a timely manner. Significance Rating: Significant Weakness	MCO management is reviewing internal processes and reconciliation communications and will develop an escalation plan to ensure reconciling items are resolved in a timely manner. Target Resolution Date: August 2008
5	Work with the MCO vendor to ensure the MCO's mail is date stamped with the MCO's stamp immediately upon receipt. Significance Rating: Significant Weakness	MCO management is working with the vendor to modify the date stamp to include the MCO's name and MCO number. MCO management disagrees with the recommendation to require the vendor to date stamp items immediately upon receipt and feels existing processes ensure accurate receipt information. Target Resolution Date: August 2008 (Establishment of date for new vendor stamp)
6	The MCO's documents at vendor locations should be maintained in a secure area. Significance Rating: Significant Weakness	The vendor has modified their procedures to ensure that all the MCO's documents are maintained in the secured area. Current Resolution Status: Implemented and Validated

Auditor Opinion:

Overall, internal controls for the MCO were generally well designed and functioning effectively. Case management plans appeared to be prepared in a timely manner and response requirements for alternative dispute resolution cases were generally met. Resolution of voided checks and segregation of duties for the provider account were also reasonable.

The audit did note several areas in which controls could be improved, which included:

- Modify the MCO system backup procedures to ensure that backup devices are encrypted;
- Date-stamp and log all incoming checks upon arrival; and
- Revise procedures to ensure that the mailroom date stamps all mail, including bills, upon receipt.

Employer Compliance Department Draft Policies and Procedures Manual – July 2008
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Business area: Customer Services

The BWC Internal Audit Division reviewed a draft of the Employer Compliance Department's (ECD) policies and procedures manual in an effort to provide proactive guidance for designing effective and efficient internal controls. The project scope consisted of a review of the manual's scope, content, presentation and format. Five minor recommendations were identified for management's consideration.

**BWC INTERNAL AUDIT DIVISION
OUTSTANDING COMMENTS AS OF JUNE 30, 2008**

Non-Complying Employer Audit – August 2004

	Recommendation	Disposition
1	BWC currently does not lapse employers that do not pay all premium amounts owed within a designated time period. While the remaining balances are certified to the Attorney General for collection, the employer continues to have active coverage. This is contrary to industry standard practice.	Weekly reports identify policies with open balances for the current payroll reporting period that are greater than \$100 and the underpayment represents 35% or more of the total premium for the policy period. Policies on this report are reviewed and lapsed where appropriate. Responsible Chief: Chief of Fiscal and Planning Target Resolution Date: December 2007 December 2008 (IT related) Current Resolution Status: Implemented

MDL and Capital Coin Fund Control Review – June 2005

	Recommendation	Disposition
1	Establish processes to monitor activities of investment managers to ensure compliance with agreements.	Integration of the new Mellon Analytical System for investment manager compliance is a current focus of the Investment Division and is being implemented with assistance from the vendor. Procedures are being developed to provide out-of-compliance notification to the interested internal parties via the Mellon Analytical System. The Chief Investment Officer is required under the IPS to notify the Board of compliance matters on a monthly basis. Responsible Chief: Chief Investment Officer Target Resolution Date: June 2008 September 2008 Current Resolution Status: In-process

Bankrupt Self-Insured Claims – March 2006

	Recommendation	Disposition
1	Consider a legislative change to permit BWC to offset Permanent Total Disability compensation for an injured worker receiving Social Security Retirement benefits, potentially saving \$60 million	The Deloitte Study is evaluating rates, reserves, surplus and a wide spectrum of injured worker compensation issues. Management has tabled this issue until conclusion of the Deloitte Study in

<p>annually; “grandfather-in” current PTD recipients receiving both benefits to avoid financial hardship to those individuals.</p>	<p>December 2008. Responsible Chief: Chief of Customer Services Target Resolution Date: December 2008 Current Resolution Status: In-process</p>
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Medical Billing and Adjustments (MB&A) – May 2006
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	Recommendation	Disposition
1	<p>There is a general lack of controls over the identification and processing of medical bill adjustments which result in the need to adjust the employers’ claims experience data. Significance Rating: Significant Weakness</p>	<p>The MIRA II team will not be ready to implement the electronic adjustment file until later in the year. However, they may be ready to implement with the third quarter file in Oct/Nov 2008 using the quarter ending claim cost files to identify the adjustments. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: September 2008 December 2008 (IT related) Current Resolution Status: In-process</p>
2	<p>To ensure the current interest payment methodology operates in accordance with statutory requirements, obtain clarification regarding the correct interest payment calculation and ensure MIIS and Cambridge Systems calculations are consistent. Significance Rating: Significant Weakness</p>	<p>Further analysis showed a new resolution was required. Therefore, a preliminary meeting is planned to discuss requirements for implementing the interest calculation. This project is being added in Clarity using the EP MO model for project management. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: September 2008 December 2008 (IT related) Current Resolution Status: In-process</p>
3	<p>There are currently two active systems in place for processing medical payments with limited Infrastructure & Technology and Health Partnership Program technical support. Maintenance of the two systems is inefficient and results in increased systems maintenance costs. Significance Rating: Significant Weakness</p>	<p>Request for proposal responses are due 06/17/08. This information will be used to develop a timeline for shutting down MIIS, which is dependent upon the PEACH II implementation. The RFP responses will meet the June 2008 target date; however, total shutdown of the MIIS system cannot yet be determined. The RFP evaluation committee continues to meet to evaluate the RFP responses received. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: June 2008 (IT related) Current Resolution Status: In-process</p>

Risk/Employer Operational Review – June 2006

	Recommendation	Disposition
1	<p>Policy and procedures were not written for most functions and activities. Significance Rating: Significant Weakness</p>	<p>The four remaining core procedures are on schedule to be completed. Responsible Chief: Chief of Customer Services Target Resolution Date: July 2008 October 2008 Current Resolution Status: In-process</p>
2	<p>BWC does not ensure all employers under jurisdiction of Ohio workers' compensation laws have obtained workers' compensation coverage. Systematic cross checks should exist with other state agencies. Significance Rating: Material Weakness</p>	<p>The Employer Compliance project team completed its recommendations and issued its report on May 1, 2008. Management accepted the team's recommendations on May 12, 2008 and laid out a 3 phase implementation plan. Management, in conjunction with OCSEA labor union leadership, instituted a voluntary canvassing of existing BWC employees to fill the new unit. On July 10, 2008, 6 staff members were chosen for phase I rollout. Staff was trained the week of July 21, 2008 and the compliance team officially began August 3, 2008. Phase II will begin in the fall of 2008 and the final phase (Phase III) will complete statewide rollout in first quarter on 2009. Responsible Chief: Chief of Customer Services Target Resolution Date: April 2008 August 2008 March 2009 Current Resolution Status: In-process</p>
3	<p>Minimum premiums may not be adequate. The recently revised Ohio Administrative Code Section 4123-17-26, (administrative charge rule) has been increased to cover the administrative expense of maintaining the policies that report no payroll. However, there is still inherent risk with the policies that have greater exposure due to industry type. Significance Rating: Material Weakness</p>	<p>The Deloitte Study will evaluate this issue and will be completed by December 2008. Designated Chief: Chief Actuarial Officer Target Resolution Date: December 2007 (RFP issuance); December 2008 (consultant report) Current Resolution Status: In-process</p>
4	<p>Current process controls do not adequately identify duplicate employer policies. Employers can avoid higher premiums by acquiring a new policy, while having an existing policy for the same business. Significance Rating: Significant Weakness</p>	<p>System change requests are being reevaluated. Responsible Chief: Chief of Customer Services Target Resolution Date: April 2008 September 2008 (IT related)</p>

	Recommendation	Disposition
		Current Resolution Status: In-process
5	When payroll reports are received there is no review to determine if estimated Premium Security Deposits are correct. The lack of review could result in lost revenue due to under reported estimates for premium security deposits. Significance Rating: Significant Weakness	This project is being prioritized by the Employers Services change management team, but is not yet scheduled. The Deloitte Study will also evaluate this issue and is due to be completed by December 2008. Responsible Chief: Chief of Customer Services Target Resolution Date: June 2008 December 2008 (IT related) Current Resolution Status: In-process

Time Reporting and Leave Usage – August 2006

	Recommendation	Disposition
1	Develop controls to validate that payroll report information is entered accurately and completely into the database system and that the amounts in the payroll disbursement journals agree with the information on the payroll reports. Significance Rating: Significant Weakness	The implementation of OAKs and the electronic entry and approval of employee time has improved controls to help ensure accuracy of payroll information. Fiscal and Planning staff have been working with OAKs personnel to develop a report of payroll adjustments to provide assurance that only properly approved adjustments to payroll information are performed. The OAKs system at this time does not accommodate this type of report and additional time has been required to develop it. Responsible Chief: Chief of Fiscal and Planning Target Resolution Date: October 2007 May 2008 September 2008 Current Resolution Status: In-process

Claims Operational Review – September 2006

	Recommendation	Disposition
1	Systematically assign new injury claims filed with no return to work date and an ICD-9 code to the lost time service offices. Significance Rating: Significant Weakness	The triage system change has been evaluated as a Tier 2 enterprise initiative. Following planning and implementation of all strategic initiatives, Tier 2 initiatives will be scheduled based upon available resources. Responsible Chief: Chief of Customer Services Target Resolution Date: June 2008 December 2008 (IT related)

Recommendation		Disposition
		Current Resolution Status: In-process
2	<p>Enhance current V3 system to link an injured worker with multiple claims to the same case manager or team.</p> <p>Significance Rating: Significant Weakness</p>	<p>The service delivery and response allocation study is complete and we are addressing staffing priorities as resources become available. For example, we are reviewing reallocating death and Permanent Total Disability claims to specialized regional teams as a result of the study. We will establish new processes to address other inefficiencies highlighted in the study.</p> <p>Responsible Chief: Chief of Customer Services</p> <p>Target Resolution Date: June 2008 June 2009</p> <p>Current Resolution Status: In-process</p>
3	<p>Research, benchmark, and devote the resources necessary to create, train, and implement the use of pertinent, financially focused performance and outcome measurements to support the staffing process.</p> <p>Significance Rating: Significant Weakness</p>	<p>The study is complete and we are addressing staffing priorities as resources become available. For example, we are reviewing reallocating death and Permanent Total Disability claims to specialized regional teams as a result of the study. We will establish new processes to address other inefficiencies highlighted in the study.</p> <p>Responsible Chief: Chief of Customer Services</p> <p>Target Resolution Date: June 2008 June 2009</p> <p>Current Resolution Status: In-process</p>

Manual Override – October 2006

Recommendation		Disposition
1	<p>Resolve the current rating inequity between group rated and non-group rated employers. Management should also adopt standard controls to prevent rate manipulation by employer groups. Possible corrective actions could include restoring credibility factors assigned to employer groups to levels consistent with sound actuarial standards and prohibiting groups from utilizing claims experience as an eligibility criterion for group participation.</p> <p>Significance Rating: Material Weakness</p>	<p>Actuarial Division staff have been working with our actuarial consultants to develop a comprehensive plan to address issues related to the group rating program. This plan was presented to and adopted by the Board of Directors. Staff are now working to implement the plan.</p> <p>Responsible Chief: Chief Actuarial Officer</p> <p>Target Resolution Date: December 2006 (actuarial study); July 2009 (implementation plan)</p> <p>Current Resolution Status: In-process</p>

Indemnity Claims Overpayment Audit – October 2006

	Recommendation	Disposition
1	<p>Implement procedures requiring supervisory review and approval of requests for the removal or adjustment of overpayment amounts.</p> <p>Significance Rating: Significant Weakness</p>	<p>Overpayment policy currently under review as part of yearly review; Injury Management Supervisor review process will be verified and policy updated accordingly.</p> <p>Responsible Chief: Chief of Customer Services</p> <p>Target Resolution Date: February 2008 May 2008 September 2008 (policy)</p> <p>Current Resolution Status: In-process</p>
2	<p>To effectively collect injured worker overpayments, determine best practices for injured worker overpayment collection and request legislative changes allowing the BWC to adopt the best practices identified.</p> <p>Significance Rating: Significant Weakness</p>	<p>Overpayments are recouped to the extent allowed by existing legislation. Project has been delayed by other business priorities and staffing issues.</p> <p>Responsible Chief: Chief of Fiscal and Planning</p> <p>Target Resolution Date: January 2008 December 2008</p> <p>Current Resolution Status: In-process</p>

Information Technology General and Application Controls Risk Assessment – January 2007

NOTE: The Internal Audit Division worked together with the IT Division to voluntarily contract with an external auditing firm to perform a baseline review of the internal general and applications controls of BWC's IT Division.

	Recommendation	Disposition
1	<p>Security violation and monitoring is not in effect for all computer environments or applications. Therefore, trending or advanced analysis for security violations is not performed.</p> <p>Significance Rating: Material Weakness</p>	<p>The monitoring/logging software has been installed on 60% of the servers. The rollout to the remaining servers is expected to be completed by August 2008.</p> <p>Responsible Chief: Chief Information Officer</p> <p>Target Resolution Date: March 2008 June 2008 August 2008</p> <p>Current Resolution Status: In-process</p>
2	<p>Powerful IDs are neither logged nor monitored. Therefore, activities performed using a powerful ID (e.g., default database, system, or network administrator account) or powerful utility are neither captured nor reviewed.</p> <p>Significance Rating: Material Weakness</p>	<p>The monitoring/logging software has been installed on 60% of the servers. The rollout to the remaining servers is expected to be completed by August 2008.</p> <p>Responsible Chief: Chief Information Officer</p> <p>Target Resolution Date: March 2008 June 2008 August 2008</p> <p>Current Resolution Status: In-process</p>

	Recommendation	Disposition
3	<p>There is no business continuity in the disaster recovery plan (DRP). The DRP has been tested for legacy applications and databases; however, exposure exists for some client/server systems. The current DRP is not sufficient to ensure effective Infrastructure & Technology (IT) support in the event of a significant system outage. IT governance is weak regarding established Key Performance Indicators (KPI)/Metrics. While some formal reporting exists, there is little KPI metric-based reporting or accountability. There is no internal process to continually monitor the adequacy and effectiveness of the IT controls environment. No formal procedures have been established or documented to classify application and underlying data from a privacy perspective, the process is informal and goes unmonitored. Processes and procedures have not been established to ensure adherence to federal, state, and local regulations.</p> <p>Significance Rating: Material Weakness</p>	<p>Encryption has been installed on all mobile devices as of June 2008. In addition, all data that is considered sensitive has been identified and documented in the Sensitive Data Transmission Policy. The location of sensitive data in databases will be documented by August 2008.</p> <p>Responsible Chief: Chief Information Officer Target Resolution Date: June 2008 August 2008 Current Resolution Status: In-process</p>
4	<p>The disaster recovery plan (DRP) is not updated as part of the overall change management process. There are pockets of asset management, but there is no universal or consistent asset management tool or process currently being utilized.</p> <p>Significance Rating: Significant Weakness</p>	<p>Documenting the impact of changes on disaster recovery plans was included in the updated change management process. This was communicated during the May 2008 Infrastructure & Technology Division all hands meeting. While no central repository of all IT assets is maintained, a number of databases and processes are in place to mitigate this issue. In addition, ongoing processes exist to verify BWC's asset base with vendors such as IBM hardware, Microsoft software and BMC software.</p> <p>Responsible Chief: Chief Information Officer Target Resolution Date: June 2008 Current Resolution Status: In-Process</p>

Compensation Audit Review – March 2007

	Recommendation	Disposition
1	<p>Implement controls on Compensation Audits completed by the Injury Management Supervisors (IMS)/Service Office Managers to provide reasonable assurance that audits are completed accurately and consistently. Also, take appropriate steps to ensure IMS are properly utilizing the Compensation Audit Tool and apply a consistent audit methodology to each question.</p> <p>Significance Rating: Significant Weakness</p>	<p>Recommended changes and enhancements to the Claim Audit Tool have been submitted to Infrastructure & Technology for updates. Due to Office '07 conversion issues the changes to the Access Database have not been completed.</p> <p>Responsible Chief: Chief of Customer Services</p> <p>Target Resolution Date: Field Operations – April 2007; Field Operations (QA Related) – February 2008 June 2008</p> <p>Current Resolution Status: In-process</p>

Salary Continuation Program – March 2007

General Comment Regarding Resolution of Salary Continuation Audit Observations:

Since December 2007, management has taken several steps to mitigate the more critical data integrity and injured worker benefit accountability risks identified in the Salary Continuation audit. Most program changes took effect July 1, 2008. However, Deloitte has recently released their analysis of several BWC premium discount programs, including salary continuation. Based on their analysis, BWC management is now evaluating the effectiveness of those discount programs and their impact on employer premium rates. To that end, management is postponing any additional changes to the salary continuation program until December 2008, at which time product recommendations are targeted for delivery to the BWC Board of Directors.

	Recommendation	Disposition
1	<p>Develop management reporting to ensure initial contacts and all ongoing contacts are being made in Salary Continuation (SC) claims. Enforce existing policy and implement the necessary incentives and penalties as a control to ensure that participating employers are meeting all reporting requirements. Conduct a data and status cleanup project on the SC claims in an “unknown” status. Amend the SC policy to clarify expectations, roles, and responsibilities of BWC as well as MCO staff.</p> <p>Significance Rating: Significant Weakness</p>	<p>Updated policy is being trained during June with an effective date of July 1. Based on new policy, failure to comply with the reporting requirements will result in Temporary Total (TT) compensation being ordered. Employers have 60 days to become compliant for claims where SC is currently being paid and must be compliant for all new claims beginning July 1. Field Operations created a Salary Continuation report which identifies claims that have newly created SC plans built to ensure the current policy has been followed. For lost time claims, the clean-up is completed. Management is also awaiting results of the Deloitte Study.</p> <p>Responsible Chief: Chief of Customer Services</p> <p>Target Resolution Date: December 2007;</p>

		<p>April 2008 (“unknown claim” project clean up) May 2008 July 2008 March 2009 Current Resolution Status: In-process</p>
2	<p>Establish controls for monitoring and reporting wage submissions. Significance Rating: Significant Weakness</p>	<p>Based on the updated policy which is effective July 1, Temporary Total compensation will be ordered in claims where the employer fails to submit wage information. After the new policy is effective, Field Operations will ensure compliance. Responsible Chief: Chief of Customer Services Target Resolution Date: December 2007 May 2008 July 2008 March 2009 Current Resolution Status: In-process</p>
3	<p>Enforce existing policy and implement the necessary incentives and penalties as a control to ensure that participating employers are meeting all reporting requirements. Significance Rating: Material Weakness</p>	<p>Salary continuation program changes were implemented July 2008 that require employers to submit documentation for each period of salary continuation paid and to comply with salary continuation guidelines. Employers who fail to comply with guidelines will be given opportunity to correct non-compliance or claim will be denied salary continuation and Temporary Total compensation will be ordered. Additional program changes (including promulgation of a rule) are being postponed pending outcome of the Deloitte Study, which will be presented to the Board of Directors in December 2008. Responsible Chief: Chief of Customer Services Target Resolution Date: December 2007 May 2008 July 2008 March 2009 Current Resolution Status: In-process</p>
4	<p>Ensure that injured workers receive sufficient information to make informed decisions concerning salary continuation. Significance Rating: Significant Weakness</p>	<p>Based on the new policy the letter to the injured worker (IW) has been eliminated. A new letter, addressed to the employer and copied to all parties in the claim outlines the requirements for salary continuation payment. The BWC order which allows salary continuation will also include an insert which sets wages and informs the IW the Temporary Total rate that would be payable in the claim. Responsible Chief: Chief of Customer Services Target Resolution Date: April 2008 July 2008 March 2009</p>

		Current Resolution Status: In-process
5	Regarding lost time changeovers, BWC should ensure return to work dates, salary continuation, and lost time changeovers are re-assigned to the proper service offices. Reserve these claims properly and apply the corrected dollar impacts to the premiums and to the state fund. Develop management reporting to keep future claims from being overlooked, and to eliminate adverse impacts to the state fund. Significance Rating: Material Weakness	The clean-up project is in process. Responsible Chief: Chief of Customer Services Target Resolution Date: Staffing - February 2007; Procedure Updates - September 2007; Quality Control- Implemented - December 2007; Claim project clean-up - April 2008 March 2009 Current Resolution Status: In-process
6	Revise the existing policy to contain clear and concise language for utilization of Independent Medical Exams (IME) and other claims management tools to avoid confusion and multiple interpretations. Ensure all IMEs are completed correctly and timely in accordance with BWC Policy. Significance Rating: Significant Weakness	All offices are being trained during June for the policy which goes into effect on July 1. The portion of the policy regarding Independent Medical Exams is included in this training. Responsible Chief: Chief of Customer Services Target Resolution Date: December 2007 July 2008 March 2009 Current Resolution Status: In-process
7	Develop a standard referral system to identify, contact, educate, and track all employers who are not in compliance with the Salary Continuation Policy. Communicate to all of Field Operations that the Policy Department role is defining the policy, not enforcing the policy. Promulgate a formal rule to support program enforcement. Significance Rating: Material Weakness	Salary continuation program changes were implemented July 2008 that require employers to submit documentation for each period of salary continuation paid and to comply with salary continuation guidelines. Employers who fail to comply with guidelines will be given opportunity to correct non-compliance or claim will be denied salary continuation and Temporary Total compensation will be ordered. Additional program changes (including promulgation of a rule) are being postponed pending outcome of the Deloitte Study, which will be presented to the Board of Directors in December 2008. Responsible Chief: Chief of Customer Services Target Resolution Date: December 2007 May 2008 December 2008 Current Resolution Status: In-process

Pharmacy Benefit Manager Audit – May 2007

	Recommendation	Disposition
1	Develop payment structure that does not reimburse for drugs not dispensed.	The system changes were implemented as of 7/31/08.

	Recommendation	Disposition
	Significance Rating: Significant Weakness	Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: July 2008 Current Resolution Status: Implemented
2	Require vendor to resume imaging of bills and increase oversight. Significance Rating: Significant Weakness	The vendor has resumed imaging of bills. Compliance & Performance Monitoring was unable to validate the imaging of bills during the April 2008 on-site review. CPM is planning to validate at the Pharmacy Benefit Management vendor's Henderson, SC office during 4 th quarter 2008. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: April 2008 December 2008 Current Resolution Status: In-process
3	Evaluate program resources, review contract, and require the vendor to submit an attestation letter stating that rebates and discounts have not been received. Significance Rating: Significant Weakness	The pharmacy consultant report was received on 6/27/2008. BWC is analyzing the report to determine the best use of the information and which recommendations to implement. Those recommendations requiring a contract change will be incorporated into the Request for Proposals process and new contract implementation. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: October 2008 (PBM contract RFP issued); December 2008 (RFP responses received and vendor selected); January 2009 (execute contract with new vendor); July 2009 (new contract effective date); October 2009 (complete compliance testing) Current Resolution Status: In-process
4	Consider utilizing vendor's technology. Significance Rating: Significant Weakness	Changes to the preferred drug list were implemented in January 2008. Additional drug classes were added to the preferred drug list effective 9/1/08. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: March 2008 June 2008 September 2008 Current Resolution Status: In-process
5	Develop action plan to strengthen oversight and improve management of the program. Significance Rating: Significant Weakness	Target dates for implementation were added to the plan and were based on existing staffing levels. Responsible Chief: Chief of Medical

	Recommendation	Disposition
		Services and Compliance Current Resolution Status: Implemented
6	Periodically test transactions to ensure discounts are passed-through to BWC. Significance Rating: Significant Weakness	The pharmacy consultant report was received on 6/27/2008. BWC is analyzing the report to determine the best use of the information and which recommendations to implement. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: April 2008 August 2008 (complete analysis on pharmacy consultant report); October 2008 (PBM contract RFP issued); December 2008 (RFP responses received and vendor selected); January 2009 (execute contract with new vendor); July 2009 (new contract effective date); October 2009 (complete compliance testing) Current Resolution Status: In-process
7	Conduct sufficient review and analysis to identify opportunities. Significance Rating: Significant Weakness	The pharmacy consultant report was received on 6/27/2008. BWC is analyzing the report to determine the best use of the information and which recommendations to implement. Any program improvement opportunities requiring a contract language change would be implemented with the new contract period beginning 7/1/09. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: April 2008 August 2008 (complete analysis on pharmacy consultant report); October 2008 (PBM contract RFP issued); December 2008 (RFP responses received and vendor selected); January 2009 (execute contract with new vendor); July 2009 (new contract effective date); October 2009 (complete compliance testing) Current Resolution Status: In-process

Retrospective Rating Program Audit – June 2007

	Recommendation	Disposition
1	<p>Evaluate additional alternatives to augment, compliment, or replace financial statement audit requirements.</p> <p>Significance Rating: Significant Weakness</p>	<p>The Deloitte Study includes the Retro Program and BWC management is expecting comments regarding the audited financial requirement which will be considered at that time.</p> <p>Responsible Chief: Chief of Customer Services</p> <p>Target Resolution Date: December 2007 (Recommendations to senior staff) December 2008 (Deloitte Study); July 2008 (implementation for private employers) and January 2009 (public entities)</p> <p>Current Resolution Status: In-process</p>
2	<p>Enforce provisions set forth in Ohio Administrative Code Section 4123-17-42 by establishing and implementing an effective procedure for the management review process.</p> <p>Significance Rating: Material Weakness</p>	<p>Beginning July 2007, the revised Management Review Process was used for the private employers (PA) applying to the program for 7/1/07 – 6/30/08 program period. Employer Services and Self Insured followed the new steps to review any applications where the underwriters indicated a clear approval or denial was unachievable. In December 2007, the Employer Management Policy Department drafted a formal policy on the Retro Management review process. Due to resource and prioritization issues, finalization of the policy has been delayed; however, the revised Management Review process was employed in July 2007 and will be employed for the 7/1/08 PA Retro applications. The process is in place awaiting final policy approval, expected by the end of 9/08.</p> <p>Responsible Chief: Chief of Customer Services</p> <p>Target Resolution Date: December 2007 June 2008 September 2008</p> <p>Current Resolution Status: In-process</p>
3	<p>Evaluate requirements and objectives of the program to ensure support exists for all goals and outcomes. Consider eliminating the allowance of any employer who is financially unstable, including employers who are in a part pay status from the</p>	<p>After review, the ability for employers in part pay plans that meet the stated financial requirements to participate in the Retrospective Rating Program has been determined to be appropriate and in support of program financial objectives and safety</p>

	Recommendation	Disposition
	<p>program. Significance Rating: Material Weakness</p>	<p>goals. Results of the Deloitte Study of employer programs being conducted in 2008 could cause this to be reconsidered at a later date. Responsible Chief: Chief of Customer Services Target Resolution Date: December 2008 (Deloitte Study) Current Resolution Status: In-process</p>
4	<p>Develop ongoing reporting and conduct detailed trending and analysis of pertinent program management data. Significance Rating: Significant Weakness</p>	<p>A bankruptcy measurement to gauge effectiveness has been implemented. The Deloitte Study will review the cost effectiveness of the Retro Program and results from that study are expected to identify additional reporting measurements. Responsible Chief: Chief of Customer Services Target Resolution Date: April 2008 December 2008 (Deloitte Study) Current Resolution Status: In-process</p>

Personal Trading Policy Consulting Project – October 2007

	Recommendation	Disposition
1	<p>Establish a Personal Trading Compliance Committee to develop a personal trading policy and ongoing monitoring procedures for BWC. Significance Rating: Significant Weakness</p>	<p>Personal Trading Policy Committee met 2-06-08 and received legal advice from the Legal Division. Copies of internal trading policies from other entities were obtained. The Chief Ethics Officer and the Legal Division have met and Legal has developed a preliminary draft of the policy. After consultation with the Chief Investment Officer, the Chief Ethics Office will revise the draft policy by September 2008. The committee will review and comment on the draft by September 2008. Responsible Chief: Chief Ethics Officer (consultation by Chief Investment Officer) Target Resolution Date: Committee formation – Implemented; Policy implementation – To be determined by committee October 2008 Current Resolution Status – In-process</p>

Investment Reconciliation Consulting Project – October 2007

	Recommendation	Disposition
1	<p>Enhance month-end reporting standards placed on external investment managers and require them to report detailed holdings data. Reconcile returns calculated by the BWC's performance provider to those calculated by the external investment managers on a monthly basis.</p> <p>Significance Rating: Significant Weakness</p>	<p>Procedures have been formalized for the review of holdings reconciliations between BWC's book of record and the external investment managers. Procedures still need to be formalized for the review of the performance reconciliations.</p> <p>Responsible Chief: Chief of Fiscal and Planning</p> <p>Target Resolution Date: April 2008 June 2008-August 2008</p> <p>Current Resolution Status – In-process</p>

Vocational Rehabilitation Audit– October 2007

	Recommendation	Disposition
1	<p>Implement processes to review the actual vocational rehabilitation costs billed in claims for reasonableness and appropriateness.</p> <p>Significance Rating: Material Weakness</p>	<p>Compliance and Performance Monitoring will create a query to be generated routinely by the Voc Rehab Policy department which identifies specific claims which are outliers for voc rehab service costs. The Voc Rehab Policy department will submit this report to the respective DMC for review and recommendations/follow-up. The Voc Rehab Policy department will accumulate the DMC responses and initiate actions as appropriate.</p> <p>Responsible Chief: Chief of Medical Services and Compliance</p> <p>Target Resolution Date: April 2008 June 2008-December 2008</p> <p>Current Resolution Status: In-process</p>
2	<p>Take steps to eliminate the potential conflict of interest created by Managed Care Organizations (MCOs) that refer vocational rehabilitation cases to their related companies.</p> <p>Significance Rating: Material Weakness</p>	<p>Labor/Management/Government Workgroup has concluded and the final report is in development. BWC Redesign Project Team has begun work with representation from field operations and central office. Steering Committee of senior and mid-level management has been identified.</p> <p>Responsible Chief: Chief of Medical Services and Compliance</p> <p>Target Resolution Date: October 2008</p> <p>Current Resolution Status: In-process</p>
3	<p>Formalize policy regarding the authority of the Disability Management Coordinators</p>	<p>Management is implementing a process requiring written authorization by the DMC</p>

	Recommendation	Disposition
	(DMCs) to challenge MCO feasibility determinations. Significance Rating: Material Weakness	of the feasibility and service provider recommendations. When the rehab redesign project is fully adopted this rule and policy will be written and formalized. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: October 2008 Current Resolution Status: In-process
4	Implement controls over the coordination agreement with the Rehabilitation Services Commission (RSC) to ensure costs expended under that program are only incurred for eligible injured workers and are reasonable and appropriate. Significance Rating: Material Weakness	After meetings with RSC a new process for securing eligibility has been agreed upon but due to IT restraints at RSC the rollout of the eligibility request process has been pushed to August 15, 2008. A draft of the enhanced detailed data reporting by RSC has been received and implementation is in process. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: June 2008 October 2008 Current Resolution Status: In-process
5	Establish effective quality assurance review procedures to ensure various controls and activities performed by Disability Management Coordinators (DMCs) are proper, timely, and in accordance with policies and statutes. Significance Rating: Significant Weakness	DMCs are evaluating individual performance measures that will actually reflect the highest level of professional service they offered in a day's time. These ideas are being discussed by a Rehab Redesign workgroup. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: June 2008 August 2008 Current Resolution Status: In-process
6	Implement written procedures for establishing reimbursement rates for vocational rehabilitation services and for periodically reviewing and updating such rates. Significance Rating: Significant Weakness	The procedure has been written and is under review. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: March 2008 Current Resolution Status: In-process
7	Review credentialing and position requirements for Disability Management Coordinator (DMC) positions and ensure individuals possess the qualifications to manage the vocational rehabilitation process. Establish a process to monitor DMC certifications to ensure the required credentials are maintained. Significance Rating: Significant Weakness	DMC position requirements have been approved by DAS. All future postings for this classification will utilize the new position requirements. The committee designated to implement the DMC agreement requirements will also review the establishment of a process to monitor DMC certifications. The Medical Services Division will discuss this issue with the HR Division to determine the best location for this ongoing requirement.

	Recommendation	Disposition
		Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: March 2008 October 2008 Current Resolution Status: In-process

Managed Care Organization (MCO) Audit # 2 – January 2008

	Recommendation	Disposition
1	Take steps to improve the MCO’s financial condition to ensure quality service is not interrupted to injured workers, employers, providers and BWC. Significance Rating: Material Weakness	MCO management has taken steps to resolve the financial difficulties experienced. Target Resolution Date: June 2008 Current Resolution Status: In-process
2	Establish processes to facilitate an annual review and testing of the entire disaster recovery plan and perform any necessary updates each year. Significance Rating: Significant Weakness	MCO management updated the disaster recovery plan and will work with their IT consultant to develop a process to periodically test the plan. Target Resolution Date: June 2008 Current Resolution Status: In-process
3	Establish processes and controls to help ensure audit findings are resolved within the contract timeframes. Take steps to refund the provider overpayments to BWC. Significance Rating: Significant Weakness	Management is in the process of recovering the provider overpayments and performing the required adjustments. Target Resolution Date: July 2008 Current Resolution Status: In-process

Permanent Total Disability Claims Audit – January 2008

	Recommendation	Disposition
1	Formalize policies, procedures, and training materials to ensure consistent, efficient, and effective processing of Permanent Total Disability claims. Additionally, create systematic processing procedures and/or training materials for Disabled Workers’ Relief Fund (DWRF) claim functions. Significance Rating: Significant Weakness	The policy and training material have been reviewed and are in agreement. Regarding DWRF procedures, we have started the process and contemplate completing it September 2008. Responsible Chief: Chief of Customer Services Target Resolution Date: May 2008 September 2008 Current Resolution Status: In-process
2	Meet with IT management and evaluate the cost benefit of updating the Version 3 (V3) system to better assist in the process of Permanent Total Disability and Disabled Workers’ Relief Fund or develop compensating controls.	Management is working with Infrastructure & Technology to evaluate and prioritize the system changes. Responsible Chief: Chief of Customer Services Target Resolution Date: December 2008

	Recommendation	Disposition
	Significance Rating: Significant Weakness	Current Resolution Status: In-process
3	Review other alternatives for processing Permanent Total Disability (PTD) claims to provide more effective and efficient claim maintenance. Significance Rating: Significant Weakness	Management is reviewing and prioritizing recommendations for regionalizing the handling of PTD and Death claims in specialized offices. Responsible Chief: Chief of Customer Services Target Resolution Date: June 2008 Current Resolution Status: In-process
4	Conduct the cross match each month and monitor reports to ensure appropriate actions have been taken based on the diary type. Significance Rating: Significant Weakness	The importance of this system change has been emphasized and the system change will be scheduled this summer. Depending on available resources, the target date may need to be extended by a quarter. Responsible Chief: Chief of Customer Services Target Resolution Date: June 2008 December 2008 Current Resolution Status: In-process
5	Implement controls to ensure that Disabled Workers' Relief Fund overpayments are processed and recouped in accordance with statute and BWC policy. Significance Rating: Significant Weakness	Updated overpayment policy is in development. Responsible Chief: Chief of Customer Services Target Resolution Date: October 2008 Current Resolution Status: In-process
6	Establish the essential resources needed to complete the previous clean up project by identifying and reviewing claims that have never been reviewed and correcting those claims with outstanding errors. Significance Rating: Significant Weakness	Phase III of the PTD clean-up project is almost complete with a final report due to management by June 30, 2008. Responsible Chief: Chief of Customer Services Target Resolution Date: June 2008 Current Resolution Status: In-process
7	Create proactive controls and monitoring processes to ensure benefit payments due to injured workers are not inappropriately interrupted. Significance Rating: Significant Weakness	Management has requested a system change control to create diaries for suspended Permanent Total Disability claims and for non-suspended plans due to a date of death (DOD) not entered. Resources and timeframes have not been identified at this time. Data warehouse queries will be developed as an interim control measure. Responsible Chief: Chief of Customer Services Target Resolution Date: December 2008 Current Resolution Status: In-process
8	Implement processes and/or controls to monitor claims in which the injured worker has clearly retired (or is eligible for	Management has requested a system change control so the diary will post to the assigned and Disabled Workers' Relief Fund Claims

	Recommendation	Disposition
	retirement) are calculated and paid appropriately. Significance Rating: Significant Weakness	Service Specialist when an injured worker reaches the age 62 and there is no retirement date in V3. Resources and timeframes have not been identified at this time. Responsible Chief: Chief of Customer Services Target Resolution Date: December 2008 Current Resolution Status: In-process
9	Determine the overall impact and best course of action regarding the incorrect overpayments to ensure the accounts receivable balance and BWC financial statements are accurate, and identify and correct the erroneous Disabled Workers' Relief Fund (DWRF) overpayments. Significance Rating: Significant Weakness	Management will work with Finance and Customer Service Divisions to determine the best solution for incorrect DWRF payments and inappropriate Permanent Total Disability offsets. A system change control was submitted to prevent incorrect DWRF overpayments. Resources and timeframes have not been identified at this time. Responsible Chief: Chief of Customer Services Target Resolution Date: April 2008 (overpayment correction); February 2009 (clean-up project); February 2008 (QA; IT related) Current Resolution Status: In-process

Medical Bill Payment Process Audit – March 2008

	Recommendation	Disposition
1	Determine the actual administrative costs associated with bill processing and develop strategies for continuous monitoring and reduction of these costs. Significance Rating: Material Weakness	The report is currently being developed using the May 2008 budget reports. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: July 2008 Current Resolution Status: In-process
2	Update or develop internal policies and procedures to enhance compliance with applicable laws and regulations and promote effective and efficient operations. Significance Rating: Significant Weakness	Management will update the Recovery and Overpayment policy and develop the Management Reporting and Distribution policy and procedures. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: July 2008 Current Resolution Status: In-process
3	Evaluate a change to the current Ohio Administrative Code to shorten the statute of limitations for medical bill payments to model other state workers' compensation systems.	Management will investigate shortening the statute of limitations for medical bill payments in conjunction with the strategic objective for benefit plan design and coverage.

	Recommendation	Disposition
	Significance Rating: Significant Weakness	Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: December 2008 Current Resolution Status: In-process
4	Complete a review to determine the feasibility of eliminating levels of appeals in the Alternative Dispute Resolution process. Significance Rating: Significant Weakness	A SMART objective workgroup is researching this option and developing a recommendation for the Chief of Medical Services approval. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: December 2008 Current Resolution Status: In-process
5	Finalize and approve the draft overpayment policy and make the final determination on the outstanding MCO and provider overpayments. Significance Rating: Significant Weakness	Medical Services Division will finalize the Recovery and Overpayment policy by July 2008, review the remaining 40 overpayment disputes, and make a final determination by October 2008. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: October 2008 Current Resolution Status: In-process
6	Monitor and track the certification application process to verify all providers are routinely reapplying for certification and providing the Bureau with credentialing information. Significance Rating: Significant Weakness	Medical Services Division requested an interpretation of the Ohio Elections Law and its impact on the provider enrollment and certification processes and will comply with the Ohio Elections Commission opinion. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: December 2008 Current Resolution Status: In-process
7	Implement a comprehensive bill tracking and reporting process to include MCO timelines to monitor compliance with BWC policies; and consider reimbursing providers directly from BWC. Significance Rating: Significant Weakness	Management will perform a bill payment review of MCOs during the summer/fall of 2008. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: December 2008 Current Resolution Status: In-process

Note: Comments designated as “Implemented” are based on managements’ assertions and have not yet been validated by Internal Audit.

BWC Internal Audit Division Audit Report Follow-up Procedures

The *International Standards for the Professional Practice of Internal Auditing* specifically addresses follow-up in Standard 2500. One of our primary responsibilities as professional auditors is determining that the audit customer takes corrective action on recommendations. This applies in all cases except where “senior management has accepted the risk of not taking action.” When senior management accepts the risk of not taking action the comment will be forwarded to the Administrator for review, the Chief of Internal Audit will report the comment with management’s response to the Audit Committee for consideration.

Being an integral part of the internal audit process, follow-up should be scheduled along with the other steps necessary to perform the audit. However, specific follow-up activity depends on the results of the audit and can be carried out at the time the report draft is reviewed with management personnel or after the issuance of the report. Typically, audit follow up should occur within 90 days of the issuance of the final report.

Follow-up activities may generally be broken down into three areas:

- Casual - This is the most basic form of follow-up and may be satisfied by review of the audit customer’s procedures or an informal phone call. Memo correspondence may also be used. This is usually applicable to the less critical findings.
- Limited - Limited follow-up typically involves more audit customer interaction. This may include actually verifying procedures or transactions and, in most cases, is not accomplished through memos or phone calls with the audit customer.
- Detailed - Detailed follow-up is usually more time-consuming and can include substantial audit customer involvement. Verifying procedures and audit trails, as well as substantiating account balances and computerized records, are examples. The more critical audit findings usually require detailed follow-up.

Follow-up scheduling can begin when corrective action is confirmed by acceptance of an audit recommendation or when management elects to accept the risk of not implementing the recommendation. Based on the risk and exposure involved, as well as the degree of difficulty in achieving the recommended action, follow-up activity should be scheduled to monitor the situation or confirm completion of the changes that were planned. These same factors establish whether a simple phone call would suffice or whether further audit procedures would be required.

At the end of each quarter, a summary follow-up report is prepared. This report reflects all current period findings with appropriate comments to reflect end-of-quarter status.

Additionally, this report highlights all outstanding findings from prior periods and their status. The intent of this summary report is to track all findings so that they are appropriately resolved.

**BWC Internal Audit Division
Audit Comment Rating Criteria**

Comment Rating	Description of Factors	Reporting Level
Material Weakness	<ul style="list-style-type: none"> • Overall control environment does not provide reasonable assurance regarding the safeguarding of assets, reliability of financial records, and compliance with Bureau policies and/or laws and regulations. A significant business risk or exposure to the Bureau that requires immediate attention and remediation efforts. • A significant deficiency, or combination of significant deficiencies, that results in <u>more than a remote likelihood</u> that a material misstatement of the annual or interim financial statements will not be prevented or detected by employees in the normal course of their work, or that a major operational or compliance objective would not be achieved. 	Audit Committee, Senior Management, Department Management
Significant Weakness	<ul style="list-style-type: none"> • Issue represents a control weakness, which could have or is having some adverse affect on the ability to achieve process objectives. The controls in place need improvement and if not improved could lead to an overall unsatisfactory or unacceptable state of control. Requires near-term management attention. • A control deficiency, or combination of control deficiencies, that results in a <u>remote likelihood</u> that a misstatement of the Bureau’s annual or interim financial statements is more than inconsequential will not be prevented or detected by employees in the normal course of their work, or that a major operational or compliance objective would not be achieved. 	Senior Management, Department Management, Audit Committee (optional)
Minor Weakness	<ul style="list-style-type: none"> • Issue represents a process improvement opportunity or a minor control weakness with minimal impact. Observations with this rating should be addressed by line level management. • A control deficiency that would result in <u>less than a remote likelihood</u> that the deficiency could reasonably result in a material misstatement of the financial statements or materially affect the ability to achieve key operational or compliance objectives. 	Department Management, Senior Management (optional)

NOTE: When management’s action plans for Significant Weakness comments are materially delayed from the intended implementation date the comment will elevate to a Material Weakness (pending circumstances).

**Internal Audit Division
FY 09 Annual Audit Plan**

Focus Area	1st Qtr.			2nd Qtr.			3rd Qtr.			4th Qtr.			Audit Effort
	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	
Employer Compliance (Consulting)													1
Coal Mine Safety Program (Consulting)													2
Permanent Partial Benefits													4
Settlements Process													5
External Audit Assistance													5
Mainframe Security													5
Physical and Environmental Security													3
Employer Policy Application Process													4
Auto Adjudication													4
Self Insured Bankrupt Securitization Process													4
Investment Certification Control Testing													5
Fleet Management													3
Accounts Payable													3
Backup Procedures													3
Ethics Review													1
Adjudicating Committee													4
Human Resources													4
Change Management Process													5
Safety and Hygiene													5
Purchasing													3
Coal Mine Safety Program													2
Employer Compliance and Premium Audit													5
FY 2010 Audit Plan													3
Audit Validation Testing													5
MCO Audits													5

Audit Effort Explanations

Number	Level of Audit Effort	Hours
1	Extra Small	< 100 hours
2	Small	100 – 300 hours
3	Medium	301 – 500 hours
4	Large	501 – 800 hours
5	Extra Large	801 – 1200 hours